

FIYTA 飞亚达

FIYTA Precision Technology Co., Ltd.

2022 Semi-annual

Financial Report

August 20, 2022

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, 2022

In CNY

Items	June 30, 2022	January 01, 2022
Current assets:		
Monetary capital	393,873,930.55	210,254,737.14
Settlement reserve		
Inter-bank lending		
Transactional financial assets		
Derivative financial assets		
Notes receivable	53,854,971.13	61,258,145.80
Accounts receivable	419,635,705.95	388,885,601.28
Financing with accounts receivable		
Advance payment	10,582,818.74	7,946,750.81
Receivable premium		
Reinsurance accounts receivable		
Reserve for reinsurance contract receivable		
Other receivables	58,848,161.73	61,553,267.82
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventories	1,979,996,270.39	2,050,148,750.89
Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	31,268,616.20	72,698,692.72
Total current assets	2,948,060,474.69	2,852,745,946.46
Non-current assets:		
Loan issuing and advance in cash		
Equity investment		
Other equity investment		
Long term accounts receivable		

Long-term equity investments	57,618,231.83	55,155,605.31
Investment in other equity instruments	85,000.00	85,000.00
Other non-current financial assets		
Investment-oriented real estate	375,707,647.63	383,425,916.35
Fixed assets	340,122,918.20	349,495,316.65
Construction-in-progress		
Productive biological asset		
Oil and Gas Assets		
Use right assets	123,271,656.00	147,932,475.42
Intangible assets	32,119,424.82	34,035,330.43
Development expenses		
Goodwill		
Long term expenses to be apportioned	155,688,540.87	163,790,333.44
Deferred income tax asset	86,798,187.24	81,233,274.65
Other non-current assets	42,617,285.90	42,680,753.78
Total non-current assets	1,214,028,892.49	1,257,834,006.03
Total assets	4,162,089,367.18	4,110,579,952.49
Current liabilities:		
Short term borrowings	452,593,861.01	265,994,595.43
Borrowings from central bank		
Loans from other banks		
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable	582,928.10	21,223.10
Accounts payable	199,394,655.23	254,588,895.34
Advance Receipts	7,011,421.98	11,025,664.72
Contract liabilities	22,785,751.84	22,505,426.65
Money from sale of the repurchased financial assets		
Deposits taking and interbank placement		
Acting trading securities		
Income from securities underwriting on commission		
Payroll payable to the employees	116,493,751.73	145,936,150.06
Taxes payable	67,138,530.84	67,769,880.01
Other payables	165,853,898.74	167,808,759.95
Including: interest payable		
Dividends payable	6,324,013.97	5,015,026.30
Service charge and commission payable		
Payable reinsurance		
Held-for-sale liabilities		
Non-current liabilities due within a year	77,656,258.23	86,949,906.35
Other current liabilities	2,623,083.96	2,798,738.32

Total current liabilities	1,112,134,141.66	1,025,399,239.93
Non-current liabilities:		
Reserve for insurance contract		
Long-term borrowings		
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities	51,240,136.68	64,918,722.10
Long-term accounts payable		
Long term payroll payable to the employees		
Estimated liabilities		
Deferred income	2,042,833.90	1,792,833.90
Deferred income tax liability	4,909,143.79	5,236,514.03
Other non-current liabilities		
Total non-current liabilities	58,192,114.37	71,948,070.03
Total liabilities	1,170,326,256.03	1,097,347,309.96
Owner's equity:		
Capital stock	426,051,015.00	426,051,015.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital reserve	1,046,504,891.62	1,040,908,194.13
Less: shares in stock	103,841,654.84	60,585,678.92
Other comprehensive income	-7,233,490.68	-7,658,346.40
Special reserve	1,553,977.57	1,062,731.13
Surplus reserve	275,010,401.50	275,010,401.50
Reserve against general risks		
Retained earnings	1,353,717,970.98	1,338,444,326.09
Total owners' equity attributable to the parent company	2,991,763,111.15	3,013,232,642.53
Minority shareholders' equity		
Total owner's equity	2,991,763,111.15	3,013,232,642.53
Total liabilities and owners' equity	4,162,089,367.18	4,110,579,952.49

Legal representative: Zhang Xuhua Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

2. Balance Sheet, Parent Company

In CNY

Items	June 30, 2022	January 01, 2022
Current assets:		
Monetary capital	351,314,698.75	171,022,392.92
Transactional financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	6,179,493.15	129,880.48

Financing with accounts receivable		
Advance payment		
Other receivables	630,494,908.53	717,183,139.00
Including: Interest receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	12,757,760.91	13,389,835.13
Total current assets	1,000,746,861.34	901,725,247.53
Non-current assets:		
Equity investment		
Other equity investment		
Long term accounts receivable		
Long-term equity investments	1,547,944,151.34	1,542,067,945.03
Investment in other equity instruments	85,000.00	85,000.00
Other non-current financial assets		
Investment-oriented real estate	305,032,601.43	311,379,234.57
Fixed assets	217,935,401.13	222,462,397.20
Construction-in-progress		
Productive biological asset		
Oil and Gas Assets		
Use right assets		
Intangible assets	22,988,881.14	23,910,597.39
Development expenses		
Goodwill		
Long term expenses to be apportioned	8,858,911.15	9,966,739.10
Deferred income tax asset	1,743,054.84	1,671,761.28
Other non-current assets	4,823,913.52	1,435,800.93
Total non-current assets	2,109,411,914.55	2,112,979,475.50
Total assets	3,110,158,775.89	3,014,704,723.03
Current liabilities:		
Short term borrowings	440,415,555.56	250,256,666.67
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	1,181,651.95	1,232,967.42
Advance Receipts	6,908,249.59	11,025,664.72
Contract liabilities		
Payroll payable to the employees	24,440,846.88	24,758,938.89
Taxes payable	7,411,107.76	2,676,682.58

Other payables	276,663,976.00	230,594,166.14
Including: interest payable		
Dividends payable	6,324,013.97	5,015,026.30
Held-for-sale liabilities		
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	757,021,387.74	520,545,086.42
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	1,792,833.90	1,792,833.90
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	1,792,833.90	1,792,833.90
Total liabilities	758,814,221.64	522,337,920.32
Owner's equity:		
Capital stock	426,051,015.00	426,051,015.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital reserve	1,050,336,024.33	1,045,449,410.67
Less: shares in stock	103,841,654.84	60,585,678.92
Other comprehensive income		
Special reserve		
Surplus Reserve	275,010,401.50	275,010,401.50
Retained earnings	703,788,768.26	806,441,654.46
Total owner's equity	2,351,344,554.25	2,492,366,802.71
Total liabilities and owners' equity	3,110,158,775.89	3,014,704,723.03

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

3. Consolidated Profit Statement

In CNY

Items	The first half year of 2022	The first half year of 2021
I. Turnover	2,183,570,749.11	2,777,519,521.34
Including: operating income	2,183,570,749.11	2,777,519,521.34
Interest income		

Earned insurance premium		
Service charge and commission income		
II. Total operating costs	2,019,291,580.02	2,484,774,500.03
Including: Operating costs	1,373,664,560.41	1,738,149,481.70
Interest payment		
Service charge and commission payment		
Surrender Value		
Compensation expenses, net		
Provision of reserve for insurance liabilities, net		
Payment of policy dividend		
Reinsurance expenses		
Taxes and surcharges	14,201,193.33	16,455,961.46
Sales costs	477,806,040.76	561,630,052.63
Administrative expenses	116,715,664.69	121,391,665.85
R & D expenditures	25,026,713.85	26,370,064.68
Financial expenses	11,877,406.98	20,777,273.71
Where: Interest cost	9,731,247.68	14,778,321.69
Interest income	1,981,825.39	2,153,626.51
Plus: Other income	13,369,782.95	11,662,934.28
Investment income (loss is stated with "-")	2,462,626.52	1,629,328.24
Including: return on investment in associate and joint venture	2,462,626.52	1,629,328.24
Gain 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 "-")	1,848.85	-2,035,236.95
Loss from impairment of assets (loss is stated with "-")	-348,218.69	-1,226,362.68
Income from disposal of assets (loss is stated with "-")	-816,021.16	-73,807.46
III. Operating Profit (loss is stated with "-")	178,949,187.56	302,701,876.74
Plus: Non-operating income	208,587.88	271,968.27
Less: Non-operating expenses	825,897.36	859,659.12
IV. Total profit (total loss is stated with "-")	178,331,878.08	302,114,185.89
Less: Income tax expense	37,639,093.79	68,549,402.06

V. Net Profit (net loss is stated with "-")	140,692,784.29	233,564,783.83
(I) Classification based on operation sustainability		
1. Net Profit from sustainable operation (net loss is stated with "-")	140,692,784.29	233,564,783.83
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	140,692,784.29	233,544,726.55
2. Minority shareholders' gain/loss	0.00	20,057.28
VI. Net of other comprehensive income after tax	424,855.72	-6,510,295.78
Net of other comprehensive income after tax attributable to the parent company's owner	424,855.72	-6,477,955.16
(I) Other comprehensive income which cannot be re-classified into gain and loss	0.00	0.00
1. Change of the beneficial plan remeasured for setting		
2. Other comprehensive income which can 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	424,855.72	-6,477,955.16
1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of other creditor's right investment		
3. Amount of the reclassified financial assets counted to the other comprehensive income		
4. Provision for impairment of the credit of the other creditor's right investment		
5. Reserve for cash flow hedge		
6. Conversion difference in foreign currency statements	424,855.72	-6,477,955.16
7. Others		
Net amount of other comprehensive income after tax attributable to minority shareholders	0.00	-32,340.62
VII. Total comprehensive income	141,117,640.01	227,054,488.05
Total comprehensive income attributable to the parent company's owner	141,117,640.01	227,066,771.39
Total comprehensive income attributable to minority shareholders	0.00	-12,283.34
VIII. Earnings per share:		
(I) Basic earnings per share	0.3351	0.5421
(II) Diluted earnings per share	0.3351	0.5421

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

4. Statement of Profit, Parent Company

In CNY

Items	The first half year of 2022	The first half year of 2021
I. Operating revenue	91,642,614.69	86,734,149.72
Less: Operating cost	19,190,036.95	17,699,646.51
Taxes and surcharges	3,830,748.17	3,878,641.68
Sales costs	630,681.48	1,502,340.61
Administrative expenses	32,867,677.72	35,277,870.48
R & D expenditures	9,134,485.17	10,669,576.37
Financial expenses	-613,920.42	2,473,687.51
Where: Interest cost	1,770,519.63	4,352,044.36
Interest income	1,830,268.89	1,885,611.98
Plus: Other income	587,709.30	1,283,696.46
Investment income (loss is stated with "-")	2,462,626.52	1,629,328.24
Including: return on investment in associate and joint venture	2,462,626.52	1,629,328.24
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 "-")	-186,946.13	-227,114.99
Loss from impairment of assets (loss is stated with "-")	0.00	0.00
Income from disposal of assets (loss is stated with "-")	-13,335.34	-32,709.96
II. Operating Profit (loss is stated with "-")	29,452,959.97	17,885,586.31
Plus: Non-operating income	104,980.99	68,243.42
Less: Non-operating expenses	3,084.22	0.00
III. Total profit (total loss is stated with "-")	29,554,856.74	17,953,829.73
Less: Income tax expense	6,788,603.54	4,109,028.61
IV. Net Profit (net loss is stated with "-")	22,766,253.20	13,844,801.12
(I) Net Profit from sustainable operation (net loss is stated with "-")	22,766,253.20	13,844,801.12
(II) Net Profit from termination of operation (net loss is stated with "-")		
V. Net of other comprehensive income after tax	0.00	0.00
(I) Other comprehensive income which cannot be re-classified into gain and loss	0.00	0.00
1. Change of the beneficial plan		

remeasured for setting		
2. Other comprehensive income which can 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	0.00	0.00
1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of other creditor's right investment		
3. Amount of the reclassified financial assets counted to the other comprehensive income		
4. Provision for impairment of the credit of the other creditor's right investment		
5. Reserve for cash flow hedge		
6. Conversion difference in foreign currency statements		
7. Others		
VI. Total comprehensive income	22,766,253.20	13,844,801.12
VII. Earnings per share:		
(I)Basic earnings per share		
(II)Diluted earnings per share		

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

5. Consolidated Cash Flow Statement

In CNY

Items	The first half year of 2022	The first half year of 2021
I. Cash flows arising from operating activities:		
Cash received from sales of goods and supply of services	2,393,028,123.16	3,032,558,393.33
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	4,558,409.98	332,318.54
Other operation activity related cash receipts	37,580,077.51	38,766,804.92
Subtotal of cash flow in from operating activity	2,435,166,610.65	3,071,657,516.79
Cash paid for purchase of goods and reception of labor services	1,500,723,327.63	2,066,444,330.76
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	367,134,428.28	393,019,916.39
Taxes paid	133,532,633.53	162,959,165.63
Other business activity related cash payments	155,389,957.61	244,079,540.08
Subtotal of cash flow out from operating activity	2,156,780,347.05	2,866,502,952.86
Net cash flows arising from operating activities	278,386,263.60	205,154,563.93
II. Cash flow arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets, intangible assets and recovery of other long term assets	119,998.33	40,157.94
Net cash received from disposal of subsidiaries and other operating units		
Other investment activity related cash receipts		
Subtotal of cash flow in from investment activity	119,998.33	40,157.94
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	53,962,036.53	80,158,290.74
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	53,962,036.53	80,158,290.74
Net cash flow arising from investment activities:	-53,842,038.20	-80,118,132.80
III. Cash flow arising from fund-raising activities:		
Cash received from absorbing investment		58,216,000.00
Incl.: Cash received from the subsidiaries' absorption of minority shareholders' investment		
Cash received from loans	705,155,704.29	662,716,163.39
Other fund-raising activity related cash receipts		
Subtotal of cash flow in from fund raising activity	705,155,704.29	720,932,163.39
Cash paid for debt repayment	500,174,365.00	726,557,058.70
Cash paid for dividend/profit distribution or repayment of interest	129,988,270.60	182,851,224.13
Including: Dividend and profit paid by the subsidiaries to minority shareholders	0.00	0.00
Cash paid for other financing activities	116,704,112.45	54,063,872.68
Sub-total cash flow paid for financing activities	746,866,748.05	963,472,155.51
Net cash flow arising from fund-raising activities	-41,711,043.76	-242,539,992.12
IV. Change of exchange rate influencing the cash and cash equivalent	786,011.77	-713,568.03
V. Net increase of cash and cash equivalents	183,619,193.41	-118,217,129.02
Plus: Opening balance of cash and cash equivalents	210,254,737.14	353,057,285.71
VI. Ending balance of cash and cash equivalents	393,873,930.55	234,840,156.69

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

6. Cash Flow Statement, Parent Company

In CNY

Items	The first half year of 2022	The first half year of 2021
I. Cash flows arising from operating activities:		
Cash received from sales of goods and supply of services	83,213,751.44	85,465,489.50
Rebated taxes received	7,647.56	0.00
Other operation activity related cash receipts	2,152,559,822.69	2,790,729,542.97
Subtotal of cash flow in from operating activity	2,235,781,221.69	2,876,195,032.47
Cash paid for purchase of goods and reception of labor services	0.00	0.00
Cash paid to and for staff	31,495,381.68	38,235,882.75
Taxes paid	8,848,751.02	7,088,803.03
Other business activity related cash	2,023,994,609.32	2,851,858,748.03

payments		
Subtotal of cash flow out from operating activity	2,064,338,742.02	2,897,183,433.81
Net cash flows arising from operating activities	171,442,479.67	-20,988,401.34
II. Cash flow arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets,intangible assets and recovery of other long term assets	3,973,162.69	3,200.00
Net cash received from disposal of subsidiaries and other operating units		
Other investment activity related cash receipts		
Subtotal of cash flow in from investment activity	3,973,162.69	3,200.00
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	2,196,743.47	14,452,808.81
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	2,196,743.47	14,452,808.81
Net cash flow arising from investment activities:	1,776,419.22	-14,449,608.81
III. Cash flow arising from fund-raising activities:		
Cash received from absorbing investment		58,216,000.00
Cash received from loans	690,000,000.00	650,000,000.00
Other fund-raising activity related cash receipts	0.00	0.00
Subtotal of cash flow in from fund raising activity	690,000,000.00	708,216,000.00
Cash paid for debt repayment	500,000,000.00	600,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	129,931,071.56	180,890,301.90
Cash paid for other financing activities	53,318,818.77	6,106,577.91
Sub-total cash flow paid for financing activities	683,249,890.33	786,996,879.81
Net cash flow arising from fund-raising activities	6,750,109.67	-78,780,879.81
IV. Change of exchange rate influencing the cash and cash equivalent	323,297.27	-224,917.40
V. Net increase of cash and cash equivalents	180,292,305.83	-114,443,807.36
Plus: Opening balance of cash and cash equivalents	171,022,392.92	292,055,169.74
VI. Ending balance of cash and cash equivalents	351,314,698.75	177,611,362.38

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

7. Consolidated Statement of Changes in Owner's Equity

Amount in the reporting period

In CNY

Items	The first half year of 2022														Minority share holders' equity	Total owner's equity
	Owners' equity attributable to the parent company															
	Capital stock	Other equity instruments			Capital reserve	Less: treasury 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	426,051,015.00				1,040,908,194.13	60,585,678.92	-7,658,346.40	1,062,731.13	275,010,401.50		1,338,444,326.09		3,013,232,642.53		3,013,232,642.53	
Plus: Change in accounting policy																
Correction of previous errors																
Consolidation of enterprises under the common control																
Others																
II. Opening balance of the reporting year	426,051,015.00				1,040,908,194.13	60,585,678.92	-7,658,346.40	1,062,731.13	275,010,401.50		1,338,444,326.09		3,013,232,642.53		3,013,232,642.53	
III. Decrease/increase of the report year (decrease is stated with "-")					5,596,697.49	43,255,975.92	424,855.72	491,246.44			15,273,644.89		-21,469,531.38		-21,469,531.38	
(I) Total comprehensive income							424,855.72				140,692,784.29		141,117,640.01		141,117,640.01	
(II) Owners' input and decrease of capital					5,596,697.49	43,255,975.92							-37,659,278.43		-37,659,278.43	
1 Common shares contributed by						50,252,831.88							-50,252,831.88		-50,252,831.88	

the owner													.88		.88
2 Capital contributed by other equity instruments holders															
3 Amount of payment for shares counted to owners' equity					5,611,740.66	-6,996,855.96							12,608,596.62		12,608,596.62
4 Others					-15,043.17								-15,043.17		-15,043.17
(III) Profit Distribution										-125,419,139.40			-125,419,139.40		-125,419,139.40
1 Provision of surplus reserve															
2 Provision for general risks															
3 Distributions to the owners (or shareholders)										-125,419,139.40			-125,419,139.40		-125,419,139.40
4 Others															
(IV) Internal carry-over of owners' equity															
1 Capitalization of capital reserve (or capital stock)															
2 Capitalization of surplus reserve (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								491,246.44						491,246.44	491,246.44
1 Provision in the reporting period								600,000.00						600,000.00	600,000.00
2 Applied in the reporting period								-108,753.56						-108,753.56	-108,753.56
(VI) Others															
IV. Ending balance of the reporting period	426,051,015.00				1,046,504,891.62	103,841,654.84	-7,233,490.68	1,553,977.57	275,010,401.50		1,353,717,970.98		2,991,763,111.55	2,991,763,111.55	

Amount of the previous year

In CNY

Items	The first half year of 2021														Minority share holders' equity	Total owner's equity
	Owners' equity attributable to the parent company															
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus Reserve	Provision for general risks	Retained earnings	Others	Sub-total			
Preferred shares		Perpetual bonds	Others													
I. Ending balance of the previous year	428,091,881.00				1,021,490,387.78	61,633,530.48	976,871.41		246,531,866.87		1,164,490,911.51		2,799,948,388.09	12,283.34	2,799,960,671.43	
Plus: Change in accounting policy													-4,319,295.51	-4,319,295.51	-4,319,295.51	
Correction of previous errors																
Consolidation of enterprises under the common control																
Others																
II. Opening balance of the reporting year	428,091,881.00				1,021,490,387.78	61,633,530.48	976,871.41		246,531,866.87		1,160,171,616.00		2,795,629,092.58	12,283.34	2,795,641,375.92	
III. Decrease/increase of the report year (decrease is stated with "-")	7,458,641.00				57,168,410.16	56,238,941.98	-6,477,955.16	295,691.96			59,324,660.82		61,530,506.80	-12,283.34	61,518,223.46	
(I) Total comprehensive							-6,477.68				233,544.72		227,066.77	-12,283.34	227,054.48	

income							,955. 16					6.55		1.39	3.34	8.05
(II) Owners' input and decrease of capital	7,458 ,641. 00				57,16 8,410 .16	56,23 8,941 .98								8,388 ,109. 18		8,388 ,109. 18
1 Common shares contributed by the owner	7,458 ,641. 00				49,41 1,923 .00	61,66 8,402 .49								- 4,797 ,838. 49		- 4,797 ,838. 49
2 Capital contributed by other equity instruments holders																
3 Amount of payment for shares counted to owners' equity					7,759 ,864. 16	- 5,429 ,460. 51								13,18 9,324 .67		13,18 9,324 .67
4 Others					- 3,377 .00									- 3,377 .00		- 3,377 .00
(III) Profit Distribution												- 174,2 20,06 5.73		- 174,2 20,06 5.73		- 174,2 20,06 5.73
1 Provision of surplus reserve																
2 Provision for general risks																
3 Distributions to the owners (or shareholders)												- 174,2 20,06 5.73		- 174,2 20,06 5.73		- 174,2 20,06 5.73
4 Others																
(IV) Internal carry-over of owners' equity																
1 Capitalization of capital reserve (or capital stock)																
2 Capitalization of surplus reserve (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															
Special reserve								295.6 91.96					295.6 91.96		295.6 91.96
1 Provision in the reporting period								491.6 05.68					491.6 05.68		491.6 05.68
2 Applied in the reporting period								- 195.9 13.72					- 195.9 13.72		- 195.9 13.72
(VI) Others															
IV. Ending balance of the reporting period	435,5 50,52 2.00				1,078 ,658, 797.9 4	117,8 72,47 2.46	- 5,501 ,083. 75	295.6 91.96	246,5 31,86 6.87		1,219 ,496, 276.8 2		2,857 ,159, 599.3 8		2,857 ,159, 599.3 8

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

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

Amount in the reporting period

In CNY

Items	The first half year of 2022											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury 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	426,051,015.00				1,045,499,410.67	60,585,678.92			275,010,401.50	806,441,654.46		2,492,366,802.71
Plus: Change in accounting policy												
Correction of previous errors												
Others												
II. Opening balance of the reporting year	426,051,015.00				1,045,499,410.67	60,585,678.92			275,010,401.50	806,441,654.46		2,492,366,802.71

III. Decrease/increase of the report year (decrease is stated with "-")					4,886,613.66	43,255,975.92				-102,652,886.20		-141,022,248.46
(I) Total comprehensive income										22,766,253.20		22,766,253.20
(II) Owners' input and decrease of capital					4,886,613.66	43,255,975.92						-38,369,362.26
1 Common shares contributed by the owner						50,252,831.88						-50,252,831.88
2 Capital contributed by other equity instruments holders												
3 Amount of payment for shares counted to owners' equity					4,901,656.83	-6,996,855.96						11,898,512.79
4 Others					-15,043.17							-15,043.17
(III) Profit Distribution										-125,419,139.40		-125,419,139.40
1 Provision of surplus reserve												
2 Distributions to the owners (or shareholders)										-125,419,139.40		-125,419,139.40
3 Others												
(IV) Internal carry-over of owners' equity												
1 Capitalization of capital reserve (or capital stock)												
2 Capitalization of surplus reserve (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												
Special reserve												
1 Provision in the reporting period												
2 Applied in the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	426,051,015.00				1,050,336,024.33	103,841,654.84			275,010,401.50	703,788,768.26		2,351,344,554.25

Amount of the previous year

In CNY

Items	The first half year of 2021											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury 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	428,091,881.00				1,027,145,928.88	61,633,530.48			246,531,866.87	722,064,955.20		2,362,201,101.47
Plus: Change in accounting policy												
Correction of previous errors												
Others												
II. Opening balance of the reporting year	428,091,881.00				1,027,145,928.88	61,633,530.48			246,531,866.87	722,064,955.20		2,362,201,101.47
III. Decrease/increase of the report year (decrease is stated with "-")	7,458,641.00				56,054,085.60	56,238,941.98				-160,375,264.61		-153,101,479.99
(I) Total comprehensive										13,844,801.12		13,844,801.12

income												
(II) Owners' input and decrease of capital	7,458,641.00				56,054,085.60	56,238,941.98						7,273,784.62
1 Common shares contributed by the owner	7,458,641.00				49,411,923.00	61,668,402.49						-4,797,838.49
2 Capital contributed by other equity instruments holders												
3 Amount of payment for shares counted to owners' equity					6,645,539.60	-5,429,460.51						12,075,000.11
4 Others					-3,377.00							-3,377.00
(III) Profit Distribution										-174,220,065.73		-174,220,065.73
1 Provision of surplus reserve												
2 Distributions to the owners (or shareholders)										-174,220,065.73		-174,220,065.73
3 Others												
(IV) Internal carry-over of owners' equity												
1 Capitalization of capital reserve (or capital stock)												
2 Capitalization of surplus reserve (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													
Special reserve													
1 Provision in the reporting period													
2 Applied in the reporting period													
(VI) Others													
IV. Ending balance of the reporting period	435,550,522.00				1,083,200,014.48	117,872,472.46			246,531,866.87	561,689,690.59			2,209,099,621.48

Legal representative: Zhang Xuhua

Chief Financial Officer: Song Yaoming

Person in charge of the Accounting Department: Tian Hui

III. Company Profile

1. Place of Registration, Organization Form and Address of the Head Office

FIYTA Precision Technology Co., Ltd. (the "Company") was founded, under the approval of Shen Fu Ban Fu (1992) 1259 issued by the General Office of Shenzhen Municipal Government, through the restructuring of former Shenzhen FIYTA Time Industrial Company by the promoter of China National Aero-Technology Import and Export Shenzhen Industry & Trade Center (name changed to "China National Aero-Technology Shenzhen Co., Ltd" lately) on 25 December 1992. On 3 June 1993, both the Company was listed on Shenzhen Stock Exchange. The Company holds business license with the Unified Social Credit Code of 91440300192189783K.

After the distribution of bonus shares, placement of new shares, conversion to share capital, additional issuance of new shares, and share repurchase and cancellation over the years, as of June 30, 2022, the Company has issued a total of 426,051,000 shares, with a registered capital of CNY 426,051,000. The Company's registered address is FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen, China. Head office address: FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen, Guangdong Province; the Parent Company is AVIC International Holding Limited; the Eventual Controller is Aviation Industry Corporation of China

2. Business Nature and Principal Business Activities

The business nature and 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, smart watches; domestic trade, materials supply and sales (excluding the commodities for exclusive operation, exclusive control and monopoly); property management and lease; design service; R&D, design, production, sales and technical services of chronometers and their parts and components, and other precision parts; self-run import & export business (implemented according to the Document SHEN MAO GUAN DENG ZHENG ZI No. 2007-072), etc.

3. Approval for the Financial Statements for Issuing

The financial statements were approved and issued through the by the Board of Directors dated August 18, 2022.

There were 12 subsidiaries consolidated in the financial statements during the reporting period. For the detail, refer to Note IX. "Equity in Other Entities".

The entities included in the scope of the consolidated financial statements in the reporting period remain unchanged compared with the previous period. For details please refer to Note VIII "Changes of the consolidation scope".

IV. Basis for preparation of the financial statements

1. Preparation Basis

The Company makes recognitions and measurements according to the actual transactions and events in the light of the "Accounting Standards for Business Enterprises - Basic Standards" promulgated by the Ministry of Finance and specific accounting standards, guidelines for the application of accounting standards for enterprises, interpretations of accounting standards for enterprises and other relevant regulations (hereinafter collectively referred to as the "Accounting Standards for Enterprises"); on this basis, prepares the financial statements with consideration of the relevant provisions of the China Securities Regulatory Commission - "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15—General Provisions on Financial Reports (2014 Revision) and the Notice on Issues concerning the Implementation of the New Accounting Standards for Business Enterprises by Listed Companies.

2. Operation on Going Concern Basis

The Company has assessed its going-concern ability for 12 months from the end of the reporting period, and has not found any matters or circumstances that may lead to significant doubts about the going-concern ability. As a result, the financial statements of the Company have been prepared on going concern basis.

V. Important accounting policies and accounting estimates

Presentation on specific accounting policies and accounting estimates:

1. The Company makes specific accounting policies and estimates according to its nature of business. Accounting policies and estimates mainly includes: method of estimated credit loss accrual (Note V. 11, Note V. 12 and Note V. 14) , measurement of inventory (Note V. 15) , depreciation of investment property and fixed asset and amortization of intangible asset (Note V. 23, Note V.24 and Note V. 30) , revenue (Note V, 39) etc.

Based on historical experience and other factors, including reasonable expectations for future events, the Company continuously evaluates the important estimates and key assumptions used. If material changes to following accounting estimate and key assumption incurred, material impact would happened to the carrying value of the Company's assets and liabilities in coming accounting year:

Measurement of expected credit loss of accounts receivable and other receivables The management estimates impairment loss provision to accounts receivable and other receivables based on the judgments to estimated credit loss of accounts receivable and other receivables. If any events occurred that indicated the Company may not be able to recover the balance

amount, estimation is needed in provision accrual. If the expected number is different with the estimated figure, the difference will affect the carrying value of accounts receivable and other receivables and the impairment loss expenses in corresponding accounting period.

Impairment to inventory. The Company recognizes provision for obsolete inventories based on the excess of the cost of inventory over its net realizable value. In determining the net realizable value of inventories, the management uses significant judgments to estimate the selling price, cost to finish manufacturing, and selling expenses and associated taxes. If the management revises estimated selling price and cost to finish manufacturing and selling expenses, the NAV estimation would be affected and the difference would have an effect to the inventory provision.

Estimation of long-term asset impairment. When evaluating whether there is impairment to long-term asset, the management mainly considers the following: (1) whether the events affect the asset impairment have already incurred; (2) whether the discounted cash flow from continue usage of the asset or disposal is lower than its carrying amount; and (3) whether major assumption used in estimating the future cash flow is appropriate.

Changes to related assumption adopted in determining impairment such as profitability, discounting rate and growth rate may have material impact to the present value used in impairment test and result in impairment to above mentioned long-term assets.

Depreciation and amortization. The estimated residual value and useful life of investment property, fixed asset and intangible asset that used by the Company are based on historical actual useful life and actual residual value of assets with similar nature or functions. In the process of using such assets, estimated useful life and residual value may vary depending on the economic environment, technological environment and other environment that the assets located. If there is difference between the expectation and previous estimation, proper adjustments will be made by the management.

Share-based payments. The management makes best estimation based on up-to-date number of employees who have exercisable shares and adjusting the number of exercisable equity instrument on each balance sheet date in the vesting period. If there is difference between current year exercisable employee and previous estimation, proper adjustments will be made by the management.

Deferred income tax asset. Deferred income tax asset of taxable losses shall be recognized to the extent that there will have sufficient taxable income to offset. This involves significant judgments to estimate the timing and amount of future taxable profit and taking into consideration of tax planning so as to determine the amount of deferred tax asset.

Income tax. The final tax treatment of many transaction and events are with uncertainty in the normal course of operation. Significant judgments involves in accrual of corporate income tax. If there is difference between the final discretion and the amount recorded in books, the difference will affect the amount of tax in the period of final discretion.

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

The financial statements of the Company have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises. These financial statements present truly and completely the financial position, the results of operations and the cash flows for reporting period of the Company.

2.Accounting period

The accounting period of the Company is the calendar year, i.e. from 1st January to 31st December of each year.

3. Operating cycle

The operating cycle refer to the period from purchasing assets for process to realizing cash or cash equivalent. The Company's operating cycle is 12 months which is also used as standard to determine the liquidity of asset and liabilities.

4. Recording Currency

The Company and its domestic subsidiaries use Renminbi (CNY) as the function currency for book keeping. FIYTA Hong Kong Co., Ltd., one of the Company's overseas subsidiaries, one of the subsidiaries of FIYTA HK (hereinafter referred to as "Station-68") has determined Hong Kong Dollars as its recording currency for accounting in accordance with the currencies available in its major economic environment where it is operated. Montres Chouriet SA, one of the subsidiaries of FIYTA Hong Kong, determines Swiss Franc as its recording currency for accounting in accordance with the currencies available in its major economic environment where it is operated and Swiss Franc is converted into Renminbi in preparing its financial statements. The currency the Company takes in preparation of these financial statements is Renminbi.

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

(1) If a business combination is achieved through multiple steps, of which the terms, condition and economical effect is in line with one or more criteria as followed, the multiple transactions shall be dealt with as one-package transaction.

- ① the transactions were entered into at the same time or by considering each other's influence;
- ② a complete business result can only be achieved by combining all these transactions together;
- ③ the performing of one transaction is depended on at least one other transaction;
- ④ a transaction is not economical if it is considered stand along but it will become economical if it is considered in combination with other transactions.

(2)Business combination involving entities under common control

For a business combination involving enterprises under common control, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date, except for adjustments due to different accounting policies. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

If there is contingent consideration and provision or assets are required to be recognized, the difference between the provision or assets and the contingent consideration shall adjust the capital reserve, with any excess adjusted against retained earnings.

If business combinations involving entities under common control achieved in stages that involves multiple transactions belongs to one-package transaction, all transactions shall be dealt with as one transaction. If not, the accounting treatment is as follows: Initial investment cost is the acquirer's share of the carrying amount of the net assets of the acquiree in the

consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the sum of carrying amount of investment prior to combination date and carrying amount of new considerations paid for the combination at the combination date is adjusted to capital reserve (share premium) . If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. he difference between the carrying amount of the net assets acquired and the sum of carrying amount of investment prior to combination date and carrying amount of new considerations paid for the combination at the combination date is adjusted to capital reserve (share premium) . If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. The profit or loss, other comprehensive income and changes in other owner's equity recognized by the acquirer during the period from the later of initial investment date and the date that the acquirer and acquiree both under common ultimate control to the combination date are offset the opening retained earnings or profit for loss for the current period in the comparative statements.

(3)Business combination involving entities not under common control

The purchase date refers to the date that the Company actually acquired control over the acquire i.e. the date when the control over the acquiree's net assets or decision of business operation has been transferred to the Company. If the Company fulfills the following conditions at the same time, it is considered that the control has been transferred:

- ① the contract or agreement of business combination has been approved by internal power department;
- ② related matters has been approved by state supervisory authorities, if needed;
- ③ procedures of asset transfer has been completed;
- ④ the Company has been made majority of payments and has the ability and plan to make the residual payments;
- ⑤ the Company is in substances acquired the business and operating policies and enjoyed corresponding interests and undertaking risks of the acquire.

On the purchase date, assets transferred, liabilities incurred or assumed as the consideration paid shall be measured at fair value. The difference between the fair value and carrying amount shall be charged to current period profit or loss.

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

If business combinations involving entities not under common control achieved in stages that involves multiple transactions belong to one-package transaction, all the transactions shall be treated as one. Otherwise, if the equity investment held before the combination date is accounted for by the equity method, the sum of the book value of the equity investment of the acquiree held before the acquisition date and the new investment cost on the acquisition date shall be regarded as the initial investment cost of the investment; Other comprehensive income recognized by the equity investment held before the acquisition date due to accounting by the equity method shall be accounted for on the same basis as the investee's direct disposal of the relevant assets or liabilities when the investment is disposed of. If the equity investment held before the combination date is accounted for by the recognition and measurement standards of financial instruments, the sum of the fair value of the equity investment on the combination date plus the new investment cost shall be regarded as the initial investment cost on the combination date. The difference between the fair value and book value of the originally held equity and the accumulated changes in fair value originally included in other comprehensive income should be fully transferred to the current return on investment on the combination date.

(4) Transaction costs for business combination

The overhead for the business combination, including the expenses for audit, legal services, valuation advisory, and other administrative expenses, are recorded in profit or loss for the current period when incurred. The transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amount of the equity or debt securities.

6. Method of preparing consolidated financial statements

(1) Scope of consolidation

The scope of consolidated financial statements is based on control. All subsidiaries (including standalone entity that controlled by the Company) are all included in the scope of consolidation.

(2) Procedures of consolidation

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. The whole enterprise is considered as one accounting body when preparing consolidated financial statement and reflect the whole group's financial position, performance and cash flow according to unified accounting policies based on accounting standards.

All subsidiaries that are included in the scope of consolidation adopt same accounting policies, and accounting period. If there are differences, the subsidiaries shall adjust its policies and accounting period accordingly.

When preparing consolidated financial statements, the accounting policies and accounting periods of the subsidiaries should be consistent with those established by the Company, and all significant intra-group balances and transactions are eliminated. If the treatment based on enterprise group angle is different with the angle from subsidiaries', it shall be treated based on enterprise group angle.

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

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party.

Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control in the reporting period, the financial statements of subsidiaries shall be adjusted on the basis of fair value of identifiable net assets on purchase date.

(3) Addition of subsidiaries or business operation

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

If the Company can exert control over the investee under common control because of addition of investment, adjustments shall be made as if all the combining party are at the current condition in the angle of ultimate controlled party. Equity investment held before acquired control, profit or loss, other comprehensive income and other net asset changes that have already recognized between the later of acquiring original equity and the date under common control, and combination date shall offset opening retained earnings or current period profit or loss respectively.

In the reporting period, if there is subsidiary or business addition involving entities not under common control, no adjustments shall be made to the consolidated balance sheet. The revenue, expenses and profit from the purchasing date to period end shall be included in consolidated income statement. The cash flows from the purchasing date to period end shall be included in consolidated cash flow statement.

Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control by means of investment addition in the reporting period, equity held before the purchase date shall be re-measured at fair value. Difference between the fair value and the carrying amount shall be charged to current period investment gain. Changes related to equity method such as other comprehensive income and other equity changes beside net profit, other comprehensive income and profit distribution shall be transferred to current period investment gain.

(4) Disposal of subsidiaries

1) General disposal method

In the reporting period, if the Company disposed a subsidiary or business, the subsidiary's revenue, expenses, profit and cash flows from the beginning of the period to the disposal date would be included in consolidated financial statements; the cash flow of the subsidiary or business from the beginning of the period to the date of disposal is included in the consolidated cash flow statement.

When the control right to the investee is lost due to disposal of partial equity investment or other reasons, the Company remeasures residual equity investment after the disposal at its fair value on the date of losing the control right. The difference between the sum of the consideration acquired from disposal of equity and the fair value of residual equity minus the portion of net assets of the original subsidiary as continually calculated from the date of purchase or date of combination at the original shareholding ratio and the goodwill is included in the investment income in the current period of losing the control right. A gain or loss is recognized in the current period and is calculated by the aggregate of consideration received in disposal and the fair value of remaining part of the equity investment deducting the share of net assets in proportion to previous shareholding percentage in the former subsidiary since acquisition date and the goodwill.

2) Disposal of subsidiary through multiple steps

In the event that the Company losses control over a subsidiary through multiple transactions, if one or more conditions below are fulfilled, it shall be treated as one-package transaction:

A. the transactions were entered into at the same time or by considering each other's influence;

B. a complete business result can only be achieved by combining all these transactions together;

C. the performing of one transaction is depended on at least one other transaction;

D. a transaction is not economical if it is considered stand along but it will become economical if it is considered in combination with other transactions.

If the various transactions disposing the investment on the subsidiary's equity until losing control power are package deals, various transactions undergo accounting treatment as a transaction of disposing the subsidiary and losing control power; however, before losing control power, the difference between every disposal amount and the share of the subsidiary's net assets enjoyed corresponding to disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and is included in the current profit and loss corresponding to loss of control power.

If disposal of the equity investment in the subsidiary until the loss of control does not belong to one-package transaction, before the loss of control, the accounting treatment shall be carried out in accordance with the relevant policies for partial disposal of the equity investment in the subsidiary without losing control; when the control is lost, accounting treatment shall be carried out according to the general treatment method of disposal of subsidiaries.

(5) Purchase of the minority shareholders' equity of subsidiaries

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

(6) Partial disposal of equity investment in subsidiary without loss of control

The difference between the disposal income obtained from the partial disposal of the long-term equity investment in a subsidiary without loss of control and the corresponding portion of the subsidiary's net assets calculated from the acquisition date or the combination date corresponding to the disposal of the long-term equity investment is used to adjust the share premium in the capital reserve in the consolidated balance sheet, and adjust the retained earnings if the capital stock premium in the capital reserve is insufficient to offset.

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

(1) Classification of Joint Venture Arrangement

The Company classifies joint venture arrangements into joint operations and joint ventures based on the structure, legal form, terms and conditions in the arrangement, and other related facts.

Joint operations means joint arrangement that does not realized through independent entity. Joint arrangement that realized through independent entity is normally recognized as joint venture but it also can be classified as joint operation if clear evidence showed that one of the following condition is met:

The legal form of an joint arrangement showed that the joint parties enjoyed rights over related assets and undertake liability respectively.

The contract showed that the joint parties enjoyed rights over related assets and undertake liability respectively.

Other facts and situation indicated that the joint parties enjoyed rights over related assets and undertake liability respectively. If the joint venture party enjoys substantially all of the output associated with the joint arrangement, and the settlement of the liabilities in the arrangement continues to depend on the joint venture party's support.

(2) Accounting treatment to joint operation

The Company confirms the following items related to the Company in the portion of interests in joint operation, and conducts accounting treatment in accordance with the relevant accounting standards for enterprises:

to recognize the assets held separately, and recognize the assets held jointly by their shares;

to recognize the liabilities borne individually and the liabilities borne jointly according to their share;

to recognize the income generated from the sale of its share of joint management output;

to recognize the income generated by the joint operation from the sale of output according to its portion;

to recognize the expenses incurred separately, and recognize the expenses incurred in joint management according to their share.

Before the Company delivers or sells assets to the joint operation (except the assets constituting business), or the joint operation sells such assets to a third party, the Company only confirms the parts in the profit and loss arising from such transaction and belonging to other participants of the joint operation. If occurrence of such assets is in conformity with the impairment loss as stated in the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the Company fully confirms the loss;

Before the Company sells an asset in the joint operation, etc. (except the assets constituting business) to a third party, the Company only confirms the part in the profit and loss arising from such transaction and belonging to other participants of the joint operation. If occurrence of purchase of an asset is in conformity with the impairment loss as stated in the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the Company fully recognizes this part of loss based on the portion the Company should take.

The Company does not enjoy joint control to joint operation. If the Company enjoys joint operation's asset and undertaking related liabilities, the accounting treatment is the same. Otherwise, it shall be accounted for based on accounting standards.

8. Cash and cash equivalents

The term "cash" refers to cash on hand and deposits that are readily available for payment in preparation of the cash flow statement. The term "cash equivalents" refers to short-term (generally due within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency statements

(1) Foreign Currency Transactions

In the initial recognition of foreign currency transactions, the spot exchange rate on the transaction date is used as the rate to translate the foreign currency amount into Renminbi for bookkeeping.

On the date of balance sheet, the foreign currency monetary items are translated based on the spot rate as at the date of balance sheet and the balance of exchange arising therefrom is counted to the current gains and losses except the balance of exchange arising from the special foreign currency borrowings in connection with the assets satisfying the capitalization conditions which is treated based on the principle of capitalization of borrowing expenses. The foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the date of transaction, without change of the amount of the functional currency for bookkeeping.

The non-monetary items in foreign currency measured at fair value are translated at the exchange rate on the date of recognizing fair value, and the difference between the amount in bookkeeping base currency and the previous amount in bookkeeping base currency after translated is treated as change of fair value (including change of exchange rate) and included in the current profits and losses or recognized as other comprehensive incomes.

(2) Translation of Foreign Currency Financial Statements

The asset and liability items in the balance sheet are translated by means of the spot rate of the balance sheet; all the other owner's equity type items, with the exception of "retained earnings" item, are translated by means of the spot rate of the day when the transaction takes place. The items of incomes and expenses in the profit statement are translated at the current average exchange rate on the transaction occurring date. The foreign currency financial statement translation difference arising from the above conversion is counted to the other comprehensive income.

In disposal of overseas business, the translation difference of the foreign currency financial statements related to the foreign business listed in other comprehensive income items in the balance sheet is transferred from the other comprehensive income items to the current profit and loss; in case the proportion of the equity in the overseas business held by the Company drops due to disposal of partial equity investment or other reason but the control power over the overseas business has not lost, the translation difference of the foreign currency statements in connection with the disposed part of the overseas business shall be attributable to the minority shareholders' equity instead of being transferred into the current profit and loss. When the disposal of overseas operation is involved with the partial equity of a joint venture or a cooperative enterprise, the translated difference of foreign currency statements related to the overseas operation is transferred at the ratio of disposing the overseas operation into the current profits and losses from disposal.

10. Financial instruments

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

The effective interest rate method refers to the method for calculating the amortized cost of financial assets or financial liabilities and apportioning the interest income or interest expense of each period into each accounting period.

Effective interest rate refers to such interest rate with which the future cash flow of any financial asset or financial liability in the expected period of existence is discounted to the current book value of such financial asset or financial liability. When determining the effective interest rate, the future cash flow shall be predicted on the basis of taking into account all the contractual stipulations (Such as prepayment, rollover, call option or other similar options) concerning the financial asset or financial liability, but the future credit losses shall not be taken into account.

Amortized cost of financial assets or financial liabilities is the initial recognition amount deduct principal and add or less accumulated amortization to the difference between initial recognition and the amount at maturity and less accumulated loss provision (for financial assets only).

(1) Classification, confirmation and measurement of financial assets

Financial assets are classified into the following three categories depending on the Company's business mode of managing financial assets and cash flow characteristics of financial assets:

- A. Financial assets measured at amortized cost.
- B. Financial asset that is measured at fair value and whose change is included in other comprehensive income.
- C. The financial asset measured at fair values with the change counted to the current profit and loss.

Financial assets are measured at their fair value at the time of initial recognition, but if the accounts receivable or notes receivable generated from the sale of commodities or provision of services do not contain significant financing elements or the financing elements not exceeding one year are not considered, the initial measurement shall be made according to the transaction price.

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

The subsequent measurement of financial assets depends on their classification, and all affected relevant financial assets shall be reclassified if and only if the Company changes its business model for managing financial assets.

1) Classified as financial assets measured based on the amortized cost

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, while if the business model of managing the financial asset is to take the collection of contractual cash flow as the goal, the Company shall classify the financial asset as a financial asset measured at amortized cost. Such financial assets include monetary fund, notes receivable, accounts receivable and other receivables.

The Company recognizes the interest income of such financial assets based on the effective interest rate method, subsequent measurement is carried out at amortized cost, and the gain or loss arising from derecognition or modification when impairment occurs, shall be included in the current profit and loss. Except for the following circumstances, the Company calculates and determines interest income based on the book balance of financial assets multiplied by the actual interest rate:

- A. For purchased or originated credit-impaired financial assets, the Company calculates and determines the interest income from the initial recognition based on the amortized cost of the financial assets and the credit-adjusted effective interest rate.
- B. For purchased or originated financial assets without credit impairment but become credit-impaired in the subsequent period, the Company calculates and determines the interest income based on the amortized cost and effective interest rate of the financial asset in the subsequent period. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, the Company calculates and determines the interest income by multiplying the actual interest rate by the book balance of the financial asset.

2) Classified as financial asset that is measured at fair value and whose change is included in other comprehensive income.

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; while if the business model for managing the financial asset is aimed at both collecting contractual cash flow and selling the financial asset, the Company classifies the financial asset as a financial asset measured at fair value whose change is included in other comprehensive income.

The Company recognizes interest income of such financial assets by the effective interest rate method. Except for interest income, impairment losses and exchange differences, which are recognized as profit or loss for the current period, other changes in fair value are included in other comprehensive income. When the recognition of the said financial assets is terminated, the accumulated gains or losses previously included in other comprehensive income are transferred out from other comprehensive income and included in the current profit and loss.

Notes and accounts receivable measured at fair value whose change is included in other comprehensive income are presented as receivables financing and other such financial assets are presented as other creditor's rights investments, where other debt investments that mature within one year as of the balance sheet date are reported as non-current assets that mature within one year, and other creditor's rights investments whose original maturity is within one year are presented as other current assets.

3) Designated as financial asset measured at fair value and whose change is included in other comprehensive income. At the initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets at fair value through other comprehensive income on the basis of individual financial assets.

Changes in fair value of such financial assets are included in other comprehensive income, and no provision for impairment is required. When the recognition of the said financial assets is terminated, the accumulated gains or losses previously included in other comprehensive income are transferred out from other comprehensive income and included in the retained earnings. During the period when the Company holds the investment in the equity instrument, when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be measured reliably, dividend income is recognized and included in the current profit and loss. The Company represents such financial assets under other equity instrument investment items.

An equity instrument investment that satisfies one of the following conditions is a financial asset measured at fair value and its changes are included in the current profit and loss: the purpose of obtaining the financial asset is mainly for recent sales; it is part of a centrally managed portfolio of identifiable financial assets and instruments at initial recognition, and there is objective evidence that there is a short-term profit model in the near future; it is a derivative instrument (with a derivative instrument that meets the definition of a financial guarantee contract and is designated as an effective hedging instrument exclusive).

4) The financial asset measured at fair value with the change counted to the current profit and loss. Financial assets that do not meet the criteria for classification as financial assets measured at amortized cost or at fair value whose change is concluded in other comprehensive income, nor designated as financial assets measured at fair value whose change is included in other comprehensive income are all classified as financial assets measured at fair value whose change is included in the current profit and loss.

The Company makes subsequent measurement of these financial assets at fair value and their profit or loss formed due to change of fair value and the dividends and interests related to such financial assets are included in the current profits and losses.

The Company present the financial assets as financial asset held for trade, other non-current financial assets.

5) The financial asset designated for measurement at fair value with the change counted to the current profit and loss. At initial recognition, in order to eliminate or significantly reduce the accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate the financial assets as that measured at fair value with the change counted to the current profit and loss based on the individual financial assets.

If the hybrid contract includes one or more embedded derivatives and the main contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument that is measured at fair value through profit or loss, except in the following cases:

A. Embedded derivatives do not materially change the cash flow of a hybrid contract.

B. When it is first determined whether a similar hybrid contract requires a spin-off, there is little need for analysis to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance with an amount close to the amortized cost, the prepayment right does not need to be split.

The Company makes subsequent measurement of these financial assets at fair value and their profit or loss formed due to change of fair value and the dividends and interests related to such financial assets are included in the current profits and losses.

The Company present the financial assets as financial asset held for trade, other non-current financial assets.

(2) Classification, recognition and measurement of financial liabilities

The Company categorizes such financial instruments or their components as financial liabilities or equity instrument at the initial recognition based on the contract terms for issuing such financial instruments and economical nature they have reflected rather than solely on its legal form with the combination of the definition of financial liabilities and equity instrument. In the initial recognition, financial liabilities are classified as the financial liabilities that are measured at fair value and whose change is included in the current profits and losses, other financial liabilities and derivative instrument designated as effective hedging instrument.

Financial liabilities are measured at fair value at the initial recognition time. For financial liabilities that are measured at fair value and which change is included in the current profits and losses, the relevant transaction expenses are directly included in the current profits and losses; for other financial liabilities, relevant transaction expenses are included in the initially recognized amount.

The successive measurement of financial liabilities depends on their classification:

1) The financial liabilities designated for measurement at fair value with the change counted to the current profit and loss.

Such financial liabilities include financial liabilities held for trade (including the derivative instruments belonging to financial liabilities) and the financial liabilities measured at fair value with the change counted to the current profits and losses directly designated at the initial recognition.

The Company classifies financial liabilities that meet one of the following conditions: the purpose of assuming the relevant financial liabilities is mainly for recent sale or repurchase; if they belong to part of the portfolio of identifiable financial instruments under concentrated management, and objective evidences showing that the Company has recently adopted short-term profit making mode; they belong to a derivative instrument, except the derivative instruments designated as and being effective hedging instruments with the derivative instruments in compliance with financial guarantee contract excluded. Financial liabilities held for trade (including the derivative instruments belonging to financial liabilities) are measured at fair value subsequently and all fair value changes except for hedging accounting shall be included in current period profit or loss.

At initial recognition, in order to provide more relevant accounting information, the Company classifies financial liabilities that meet one of the following conditions as financial liabilities designated at fair value through profit or loss (the designation cannot be revoked once it is made) :

A. accounting mismatches can be eliminated or significantly reduced.

B. according to the corporate risk management or investment strategy specified in the formal written documents, the financial liability portfolio or the financial asset and financial liability portfolio is managed and performance evaluated on the basis of fair value, and reported to key management personnel within the Company on this basis.

When the Company initially recognizes a financial liability and designates it at fair value through profit or loss according to stipulations of standards, the changes in the fair value of the financial liability arising from changes in the company's own credit risk are included in other comprehensive income, and other changes in fair value are recognized in profit or loss for the period. However, if the accounting causes or expands the accounting mismatch in profit or loss, the entire gain or loss of the financial liability (including the affected amount from changes in the company's own credit risk) is included in the current profit or loss.

2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost. The effective interest method is adopted for such financial liabilities, and the subsequent measurement is carried out according to the amortized cost, and the profit or losses arising from the derecognition or amortization are included in the current profit and loss:

A. The financial liabilities designated for measurement at fair value with the change counted to the current profit and loss.

B. The transfer of financial assets does not meet the conditions for derecognition or financial liabilities arising from the continued involvement in the transferred financial assets.

C. Financial guarantee contracts that are not in the first two categories of this article, and loan commitments granted at a rate lower than market interest rates and that are not in the first category of this article.

A financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to repay the debt in accordance with the original or revised terms of the liability instrument. For financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in the current profit and loss, the initial recognition shall be carried out at the higher of the provision for loss and the balance after deducting the accumulated amortization during the guarantee period from the initial recognition amount.

(3) Derecognition of financial assets and financial liabilities

If a financial asset meets one of the following conditions, it shall be derecognized:

A. The contractual right to receive the cash flow of the financial asset is terminated.

B. The contractual right to receive the cash flow of the financial asset is terminated.

Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or a part thereof) has been discharged, the financial liability (or such part of financial liability) is derecognized.

When the Company and the lender sign an agreement to replace the original financial liability with a new financial liability, and the new financial liability is substantially different from the original financial liability, the original financial liability is derecognized and a new financial liability is recognized. The difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

If the Company repurchases part of the financial liabilities, the carrying amount of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognition portion on the repurchase date. The difference between the carrying amount assigned to the derecognition portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit or loss.

(4) Recognition basis and measurement method for transfer of financial assets

In the event of transfer of financial assets, the Company assesses the extent to which it retains the risks and rewards of ownership of the financial assets and treats them in the following cases:

A. If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognized and the rights and obligations arising from or retained in the transfer are separately recognized as assets or liabilities.

B. If almost all the risks and rewards of ownership of financial assets are retained, the financial assets shall continue to be recognized.

C. If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (i.e., other than (1) and (2) of this article) , then depending on whether or not they retain control over financial assets:

A. If the control of the financial asset is not retained, the financial asset shall be derecognized, and the rights and obligations arising or retained during the transfer shall be separately recognized as assets or liabilities.

B. If the control over the financial assets is retained, the relevant financial assets shall be continuously recognized according to the degree of its continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continued involvement in the transferred financial assets refers to the degree to which the Company undertakes the risks or rewards of changes in the value of the transferred financial assets.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The Company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets.

If the overall transfer of financial assets meets the conditions for termination of recognition, the difference between the following two amounts shall be included in the current profit and loss:

A. The carrying amount of the transferred financial assets on the date of derecognition.

B. The sum of the consideration received in respect of the transfer of financial assets and the amount corresponding to the derecognized portion in the accumulated changes in the fair value originally and directly recognized in other comprehensive income (the financial assets involved in the transfer are measured at fair value through other comprehensive income).

C. If the transfer of partial financial assets while the part to be transferred overall satisfy the conditions of derecognition, the entire book value of the transferred financial asset shall, between the portion derecognized and the portion not derecognized (in such a case, the retained service assets shall be deemed to be part of the continued recognition of financial assets), be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period :

A. The carrying amount of the portion derecognized on the date of derecognition.

B. The sum of the consideration received in respect of the derecognition of the financial assets and the amount corresponding to the derecognized portion in the accumulated changes in the fair value originally and directly recognized in other comprehensive income (the financial assets involved in the transfer are measured at fair value through other comprehensive income).

If the transfer of financial assets does not satisfy the conditions for termination of recognition, continue to recognize the financial asset, and the received consideration is recognized as a financial liability.

(5) The method of determining the fair value of financial assets and financial liabilities

For the financial assets or financial liabilities existing in the active market, the fair value is determined by the quotation in the active market, unless there is a restricted period for the financial asset itself. For a financial asset with restricted sales of the asset itself, it is determined according to the quotation in the active market after deducting the compensation amount required by market participants for bearing the risk of not being able to sell the financial asset in the open market within a specified period. The quotation in the active market includes the quotation that is readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc. for the relevant assets or liabilities, and are representative of actual and frequently occurring markets on an arm's length basis trade.

For the initially acquired or derived financial assets or assumed financial liabilities, the market transaction price is used as the basis for determining their fair value.

For financial assets or financial liabilities not existing in the active market, the fair value is determined using valuation techniques. At the time of valuation, the Bank adopts valuation techniques that are applicable under the current circumstances and have sufficient data and other information to support, and the selection is consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of relevant assets or liabilities and it takes priority to use the relevant observable input value as far as possible. When the relevant observable input value cannot be obtained or it is not feasible to obtain, the unobservable input value is used.

(6) Impairment of financial instruments

Based on the expected credit losses, the Company assesses the expected credit losses of the financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, lease receivables, contract assets, loan commitment and financial liabilities that are not measured at fair value through profit or loss, and financial guarantee contract etc., and makes impairment accounting and recognizes loss provisions.

Expected credit loss refers to the weighted average of the credit losses of financial instruments 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 Company discounted at the original effective interest rate, that is, the present value of all cash shortages. Where, for the purchased or originated credit-impaired financial assets, the Company discounts based on the credit-adjusted effective interest rate according to the credit of the financial assets.

For accounts receivable, contract assets, and lease receivables, the Company shall always measure the loss allowance for them at an amount equal to the lifetime expected credit losses.

For financial assets that have been purchased or generated with credit impairment, loss provision is recognized only for the cumulative changes in lifetime expected credit losses after the initial recognition on the balance sheet date. On each balance sheet date, the amount of changes in lifetime expected credit losses is included in profit or loss as an impairment loss or gain. Even if the lifetime expected credit loss determined on the balance sheet date is less than the expected credit loss reflected in the estimated cash flow at the initial recognition, the positive change in expected credit loss is also recognized as an impairment gain.

Except for the provision for loss of financial instruments in item (3) of this article, the Company assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition on each balance sheet date, and separately measures its loss provision, recognizes expected credit loss and its changes based on the following circumstances:

A. If the credit risk of the financial instruments has increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the lifetime expected credit loss of the financial instruments, regardless of whether the basis the Company assesses the credit losses is on individual financial instrument or a combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain

B. If the credit risk of the financial instruments has not increased significantly since the initial recognition, the loss provision is measured at the amount equivalent to the expected credit loss of the financial instruments in the next 12 months, regardless of whether the basis the Company assesses the credit loss is on individual financial instrument or the combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom shall be included in the current profit or loss as an impairment loss or gain.

C. For financial instruments in the third stage, the Company measures loss provision on the basis of life-time expected credit loss and calculating interest income according to their book balance minus the impairment provision and the actual interest rate.

Incremental or reversal of credit loss provision shall be included in current profit or loss as impairment loss or gain. Except for financial asset at fair value through other comprehensive income, credit loss provision is to offset the carrying amount of financial assets. For financial assets at fair value through other comprehensive income, the credit loss provision is recognized in other comprehensive income and will not offset the financial asset's carrying amount in balance sheet.

In the previous fiscal period, the loss provision was measured at an amount equivalent to the expected credit loss during the entire duration of the financial instrument, but on the current balance sheet date, the financial instrument is no longer in a situation where the credit risk has significantly increased since the initial recognition; if, on the current balance sheet date, the loss provision of the financial instrument was measured at the amount equivalent to the expected credit loss in the next 12 months, and the resulting loss provision was reversed as the impairment gain and included in the current profit and loss.

1) Assessment of significant increase of credit risk

By comparing the default risk of financial instruments on balance sheet day with that on initial recognition day, the Company determines the relative change of default risk of financial instruments during the expected life of financial instruments, to evaluate whether the credit risk of financial instruments has increased significantly since the initial recognition. For financial guarantee contracts, when applying the provisions on impairment of financial instruments, the Company takes the date when the Company becomes the party that has made the irrevocable commitment as the initial recognition date.

To determine whether credit risk has increased significantly since the initial recognition, factors considered by the Company includes:

A. Whether there is serious deterioration of the debtor's operating results that have occurred or are expected to occur;

B. Changes in the existing or anticipated technological, market, economic or technical environment will have a significant negative impact on the debtor's repayment capacity;

C. Whether there have been significant changes in the value of collateral used as collateral for the debt or the quality of guarantees or credit enhancements provided by third parties that are expected to reduce the debtor's economic incentive to repay within the contractual terms or affect the probability of default;

D. Whether the expected performance and repayment of debtor changes significantly;

E. Whether the Company changed the way of managing financial assets, etc.

On the balance sheet date, if the Company assesses that the financial instrument only has lower level of credit risk, the Company assumes that the credit risk associated with the financial instrument does not increased after the initial recognition. If the default rate of a financial instrument is low and the debtor's ability to fulfill its cash flow liability is strong, the financial instrument will be regarded with lower credit risk even if there will be adverse changed in economic and operating environment in long-term which may not necessarily decrease the debtor's ability of fulfilling its cash flow liabilities.

2) Financial assets with credit impairment already incurred

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 that has been credit-impaired. Evidence of credit impairment of financial assets includes the following observable information:

- A. The issuer or debtor has experienced major financial difficulty;
 - B. The debtor has violated the contract, such as failure in or late payment of the interest or the principal;
 - C. The Creditor, out of economic or contractual considerations related to the debtor's financial difficulties, gives the debtor concessions that the Group shall never make under any other circumstances;
 - D. The debtor is likely to go bankrupt or carry out other financial restructuring;
 - E. The issuer or debtor's financial difficulties caused the disappearance of the active market for the financial asset.
 - F. Purchase or originate a financial asset at a substantial discount that reflects the fact that a credit loss has occurred;
- Credit-impairment of a financial asset may be caused by the combined action of multiple events, not necessarily by an individually identifiable event.

3) Determining expected credit loss (ECL)

The Company evaluates ECL based on single or portfolio of financial instrument. When evaluating ECL, the Company considers past events, current situation and future economic condition.

The Company categorizes financial instrument into different portfolios based on common credit risk characteristics. Common credit risk characteristics includes: types of financial instruments, aging portfolio, settlement period, debtor's industries etc. Refer to accounting policies of financial instruments for standard for single evaluation and credit risk characteristics.

The Company uses the following way to determine the ECL of financial instruments:

- A. For financial assets, credit loss is the present value of difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company.
- B. For lease receivable, credit loss is the present value of difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company.

C. For financial guarantee contract, credit loss is the present value of expected payment amount due to credit losses happened to the owner of the contract and less any amount that the Company expected to receive from the contract owner, debtor or other parties.

D. For financial assets that already impaired on balance sheet date but not impaired when purchasing, the credit loss is the difference of carrying amount and present value of future cash flows discounted at original effective interest rate.

Factors that the Company measures ECL of financial instrument includes: assessing a series of possible results and to determine a weighted average amount without bias; time value of money; information of past event, current situation and future economic condition forecast that can be obtained without paying extra cost or efforts on balance sheet date.

4) Write off

The Company no longer reasonably expects that the contractual cash flow of the financial asset can be recovered wholly or partially, it will directly write down the book balance of the financial asset. This write-down constitutes the derecognition of related financial assets.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet respectively and are not offset with each other. However, the net value after offset is presented in the balance sheet when the following conditions are satisfied:

A. The Company has the legal right to offset the recognised amount and such right is exercisable;

B. The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.

11. Notes receivable

For the determination method and accounting treatment method of the expected credit loss of the Company's notes receivable, please refer to Note V. 10

If the Company has sufficient evidence to evaluate the ECL of notes receivable on single basis, it will be assessed on single basis.

If there is not sufficient evidence to evaluate the ECL on single basis, the Company will make judgment based on historical loss experience, current situation and future economic situation, and classifying the bill receivable into different portfolios.

The basis for portfolios is determined as follows:

Portfolio Description	The basis for portfolios is determined as follows:	Provision method
Risk-free bank acceptance portfolio	The issuer has higher level of credit rating and no default in past and has strong ability to fulfill its contractual cash follow obligation	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Business acceptance note	Notes receivables with same aging have similar credit risk characteristics	Provision based on the ECL checklist of aging against the loss rate throughout the duration

12. Accounts receivable

For the determination method and accounting treatment method of the expected credit loss of the Company's accounts receivable, please refer to Note V. 10

If the Company has sufficient evidence to evaluate the ECL of accounts receivable on single basis, it will be assessed on single basis.

If there is not sufficient evidence to evaluate the ECL on single basis, the Company will make judgment based on historical loss experience, current situation and future economic situation, and classifying the accounts receivable into different portfolios. The basis for portfolios is determined as follows:

Portfolio Description	The basis for portfolios is determined as follows:	Provision method
Receivables for related parties in scope of consolidation	Account receivables for related parties in scope of consolidation have similar credit risk characteristics	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Accounts receivables from other parties	Notes receivables with same aging have similar credit risk characteristics	Provision based on the ECL checklist of aging against the loss rate throughout the duration

13. Financing with accounts receivable

Inapplicable

14. Other receivables

Method for determination and accounting treatment of the expected credit loss of other receivables

For the determination method and accounting treatment method of the expected credit loss of the Company's other receivables, please refer to Note V. 10

If the Company has sufficient evidence to evaluate the ECL of other receivables on single basis, it will be assessed on single basis.

If there is not sufficient evidence to evaluate the ECL on single basis, the Company will make judgment based on historical loss experience, current situation and future economic situation, and classifying the other receivables into different portfolios. The basis for portfolios is determined as follows:

Portfolio Description	The basis for portfolios is determined as follows:	Provision method
Receivables of down payment and guarantee	The portfolio has similar credit risk characteristics based on the business nature, down payment and guarantee	Provision based on the ECL checklist of aging against the loss rate throughout the duration
Petty cash for employees	The portfolio has similar credit risk characteristics based on the business nature	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions

Social security payment paid on-behalf of employees	The portfolio has similar credit risk characteristics based on the business nature	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Receivables for related parties in scope of consolidation	Account receivables for related parties in scope of consolidation have similar credit risk characteristics	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Portfolio of other receivables	Notes receivables with same aging have similar credit risk characteristics	Provision based on the ECL checklist of aging against the loss rate throughout the duration

15. Inventories

(1) Classification of Inventories

The Company's inventories refer to the finished products or commodities held for sale, products in process and the materials and supplies consumed in process of production or rendering of services, etc. in the Company's daily activities, which are classified into three categories, including raw materials, products-in-process and commodity stocks. which are classified into three categories, Inventories mainly include raw materials, products-in-process, finished products (commodity stocks), etc.

(2) Valuation method of inventories

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs and other costs. Raw materials and merchandise inventory are priced respectively according to the weighted average (except for branded watches), specific identification (for branded watches) at the time of delivery.

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

After the inventory is thoroughly inspected at the end of the period, the provision shall be provided or adjusted at the lower of the cost of the inventory and its net realizable value. The net realizable value of inventory of goods directly used for sale, such as finished goods, stocked goods and materials for sale in the normal production and operation process, is determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes; net realizable value of inventory of materials that need to be processed is determined based on the estimated selling price of the finished products produced minus the estimated cost till completion, estimated selling expenses and related taxes and fees in the normal production and operation process; the net realizable value of the inventory held for the execution of a sales contract or labour contract is calculated on the basis of the contract price. If the quantity of the inventory held exceeds the quantity ordered by the sales contract, the net realizable value of the excess inventory is calculated based on the general sales price.

The provision is accrued according to the individual inventory project at the end of the period; but for a large number of inventories with lower unit price, the provision is accrued according to the category of inventory; for those related to the product series produced and sold in the same region, have the same or similar end use or purpose and that are difficult to measure separately from other projects, they are combined for provision for inventory depreciation

If the influencing factors of the write-down of inventory value have disappeared, the amount of write down will be restored and will be reversed within the amount of the provision for decline in value of the inventory that has been accrued. The amount of the reversal is included in the current profit or loss

(4) Inventory count system

The Company maintains a perpetual inventory system.

(5) Amortization methods of low-value consumables and packaging materials

A. Low cost and short lived articles are amortized on once-and-for-all basis.

B. Packaging materials are amortized on once-and-for-all basis.

16. Contract assets

The Company has the right to receive the consideration for the transfer of goods to the customers. If the right depends on factors other than the passage of time, it is recognized as a contract asset. If the Company has the right (only depends on passage of time) to receive consideration from client, accounts receivable shall be recognized.

For the determination method and accounting treatment method of the expected credit loss of the Company's contract assets, please refer to Note V. 10.

17. Contract cost

If the cost incurred to fulfill the contract does not fall within the scope of other accounting standards for enterprises other than the standards for revenue and meets the following conditions at the same time, the Company recognizes it as the contract performance cost as an asset:

A. The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer, and other costs incurred solely due to the contract;

B. The cost has increased the resource the Company shall use to fulfill its performance obligation in the future.

C. The cost is expected to be recoverable.

The asset is presented in inventory or other non-current assets based on whether the amortization period at initial recognition exceeds one normal operating cycle.

(1) Contract acquisition cost

If the incremental cost incurred to the Company for obtaining the contract is expected to be recoverable, it is recognized as an asset as the cost of obtaining the contract. The incremental cost refers to the cost that no cost may incur if the Company does not obtain the contract (such as sales commission, etc.) If the amortization period does not exceed one year, it shall be included in the current profit and loss when it incurs.

(2) Amortization of contract cost

The above assets related to contract costs are recognized on the same basis as the income from goods or services related to the asset, and are amortized at the time when the performance obligations are performed or in accordance with the progress of the performance obligations, and are included in the current profit and loss.

(3) Impairment of contract cost

For the above-mentioned assets related to contract costs, if the book value is higher than the difference between the remaining consideration expected to be obtained by the Company due to the transfer of commodities related to the assets

and the estimated cost to incur for the transfer of the related commodities, the excess shall be provided for impairment , and recognized as asset impairment loss.

After provision for the impairment, ff the factors of impairment in the previous period change afterward, so that the difference of the above two items is higher than the book value of the asset, the original provision for asset impairment should be reversed and included in the current profit and loss, but the book value of the asset after the reversal should not exceed the book value of the asset on the reversal date if no provision for impairment is made.

18. Held-for-sale assets

Inapplicable

19. Equity investment

Inapplicable

20. Other equity investment

Inapplicable

21. Long term accounts receivable

Inapplicable

22. Long-term equity investments

(1) Determination of the initial investment cost

A. For the long-term equity investment formed by business combination, the specific accounting policies are detailed in the accounting treatment of business combination under common control and not under common control as set out in this Note V.5.

B. Long-term equity investment obtained by other means

For long-term equity investments obtained by paying cash, the actual purchase price paid shall be used as the initial investment cost. The initial investment cost includes expenses directly related to the acquisition of long-term equity investments, taxes and other necessary expenses.

The initial investment cost of the long-term equity investment obtained by issuing equity securities is the fair value of the issued equity securities; the transaction cost incurred in the issuance or acquisition of its own equity instruments is deducted from equity if it is directly attributable to equity transactions.

Under the premise that the non-monetary asset exchange has the commercial substance and the fair value of the assets received or surrendered can be reliably measured, the initial investment cost of the long-term equity investment exchanged for non-monetary assets is determined based on the fair value of the assets exchanged and relevant taxes payable, unless there is conclusive evidence that the fair value of the assets transferred is more reliable; for the exchange of non-monetary asset that does not meet the above premise, the initial investment cost of long-term equity investment is the carrying amount of the assets exchanged and the related taxes and fees payable.

The initial investment cost of a long-term equity investment obtained through debt restructuring includes the fair value of the waived debt, taxes that can be directly attributable to the asset and other costs.

(2) Subsequent measurement and profit and loss recognition

A. Cost method

The long-term equity investment that the Company can control over the investee is accounted for using the cost method, and the cost of the long-term equity investment is adjusted by adding or recovering the investment according to the initial investment cost.

Except for the actual payment or the cash dividends or profits included in the consideration that have been announced but not yet paid at the time of acquiring the investment, the Company recognizes the current investment income according to its share of cash dividends or profits declared to be distributed by the investee.

B. Equity method

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method, and some of the equity investments in associates that are indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds are measured at fair value through profit or loss.

When the initial investment cost of a long-term equity investment is greater than the investment, the initial investment cost of the long-term equity investment shall not be adjusted by the difference between the fair value of the identifiable net assets of the investee; if the initial investment cost is less than the investment, the difference between the fair value of the identifiable net assets of the investee should be included in the current profit or loss.

After the Company has acquired the long term equity investment, the net gains and losses realized by the investee and the share of the other comprehensive income enjoyable or sharable should be respectively used to recognize the return on investment and other comprehensive income and at the same time the book value of the long term equity investment is adjusted; according to the profit announced for distribution by the investee or the part of the cash dividend enjoyable upon calculation, the book value of the long term equity investment is reduced correspondingly. For other change in the net profit and loss, other comprehensive income and owner's equity other than the profit distribution, the book value of the long term equity investment is adjusted and counted to the capital reserve.

In determining the net profit and loss in the investee enjoyable, with the fair value of various identifiable assets, etc. in the investee when the investment is acquired as the base, the net profit of the investee is recognized after adjustment. For the transactions between the Company and its associates or joint ventures, the part calculated based on the proportion of the unrealized internal transaction gains and losses attributable to the Company shall be offset and the gains and losses on the investment shall be recognized on this basis.

When the Company recognizes the losses incurred by the investee that it should bear, it shall deal with it in the following order: Firstly, offset the carrying amount of the long-term equity investment. Secondly, if the carrying amount of the long-term equity investment is not enough to be offset, the investment loss will continue to be recognized to the extent of carrying amount of other long-term equity that virtually constitutes a net investment in the investee, and the carrying amount of the long-term receivables is offset. Finally, after the above-mentioned treatment, if the enterprise still bears additional obligations

in accordance with the investment contract or agreement, the projected liabilities are recognized according to the estimated obligations and included in the current investment losses.

If the investee realizes profit in the future period, after deducting the unrecognized loss share, and the reduction of book balance of the recognized projected liabilities and recovery of other long-term equity that virtually constitutes a net investment in the investee and carrying amount of long-term equity investment as opposite to the order above, the Company shall restore the investment income.

(3) Conversion of accounting methods for long-term equity investment

1) Fair value measurement to equity method accounting

If the equity investment originally held by the Company that does not have control, joint control or significant influence on the investee, which is accounted for according to the recognition and measurement criteria of financial instruments, can exert significant influence on the investee or jointly control but does not constitute control over it due to additional investment and otherwise, its initial investment cost shall be the sum of the fair value of the equity investment originally held in accordance with the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” and new investment cost after being accounted for under the equity method.

If the initial investment cost accounted for under the equity method is less than the fair value share of the identifiable net assets of the investee on the additional investment date determined by the new shareholding ratio after the additional investment, the carrying amount of the long-term equity investment is adjusted and included in the current non-operating income.

2) Fair value measurement or equity method accounting to cost method accounting

If the equity investment originally held by the Company, that does not have control, joint control or significant influence on the investee and which is accounted for in accordance with the financial instrument recognition and measurement criteria, or the long-term equity investment originally held in associates or joint venture, can exercise control over the investee not under common control due to additional investment or otherwise, in the preparation of individual financial statements, the sum of the carrying amount of the equity investment originally held plus the new investment cost shall be regarded as the initial investment cost after being accounted for under the cost method.

The other comprehensive income recognized by the equity method in respect of the equity investment originally held before the purchase date is accounted for on the same basis as the investee directly disposes of the relevant assets or liabilities when the investment is disposed of.

If the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the cumulative fair value changes originally included in other comprehensive income are transferred to current profit or loss when the cost method is adopted.

3) Equity method accounting to fair value measurement

If the Company loses joint control or significant influence on the investee due to the disposal of part of the equity investment or otherwise, the remaining equity after disposal shall be accounted for according to the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. The difference between the fair value and the carrying amount on the date of losing joint control or significant impact is recognized in profit or loss.

The other comprehensive income recognized in respect of the original equity investment using the equity method is accounted for on the same basis as the investee directly disposes of the relevant asset.

A. Cost method to equity method

Where the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal can exercise joint control or significant influence on the investee, the equity method is adopted for accounting, and the remaining equity is deemed to be adjusted under the equity method when it is acquired.

B. Cost method to fair value measurement

Where the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal cannot jointly control or exert significant influence on the investee, the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” are adopted. The difference between the fair value and the carrying amount on the date of loss of control is recognized in profit or loss for the current period.

(4) Disposal of long-term equity investment

For the disposal of long-term equity investment, the difference between the carrying amount and the actual purchase price shall be included in the current profit or loss. For the long-term equity investment accounted for using the equity method, when the investment is disposed of, the part that is originally included in the other comprehensive income is accounted for in the same proportion based on the same basis as the investee directly disposes of the relevant assets or liabilities.

If the terms, conditions and economic impact of each transaction on disposal of the equity investment in a subsidiary satisfy one or more of the following cases, the multiple transactions are treated as a package transaction:

- A. the transactions were entered into at the same time or by considering each other's influence;
- B. a complete business result can only be achieved by combining all these transactions together;
- C. the performing of one transaction is depended on at least one other transaction;
- D. a transaction is not economical if it is considered stand along but it will become economical if it is considered in combination with other transactions.

Where the loss of control over the original subsidiary due to disposal of part of the equity investment or otherwise which is not a package transaction, the individual financial statements and consolidated financial statements shall be classified for relevant accounting treatment:

- 1) In the individual financial statements, the difference between the carrying amount of the disposed equity and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exert joint control or significant influence on the investee, it shall be accounted for under the equity method, and the residual equity shall be deemed to be adjusted by equity method when it is acquired; if the remaining equity after disposal cannot exert joint control or significant influence over the investee, it shall be accounted for by the relevant provisions of the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and the difference between the fair value and the carrying amount on the date of loss of control is included in the current profit or loss.

2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, capital reserve (share premium) is adjusted for the difference between the disposal price and the share of the net assets corresponding to the disposed long-term equity investment that the subsidiary has continuously calculated from the date of purchase or the merger date; if the capital reserve is insufficient to offset, the retained earnings will be adjusted; when the control of the subsidiary is lost, the remaining equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration for the disposal of the equity and the fair value of the remaining equity, less the share of the net assets that the original subsidiary has continuously calculated from the date of purchase calculated based on the original shareholding, is included in the investment income for the period of loss of control, while reducing goodwill. Other comprehensive income related to the original subsidiary's equity investment will be converted into current investment income when control is lost.

If each transaction on disposal of the equity investment in a subsidiary until the loss of control is a package transaction, each transaction is accounted for as a transaction to dispose of the equity investment in the subsidiary with loss of control, which is distinguished between individual financial statements and consolidated financial statements:

1) In the individual financial statements, the difference between each disposal price and the carrying amount of the long-term equity investment corresponding to the disposed equity before the loss of control is recognized as other comprehensive income, and when the control is lost, it is transferred to profit or loss for the period of the loss of control.

2) In the consolidated financial statements, the difference between each disposal price and the disposal investment that has the share of the net assets of the subsidiary before the loss of control is recognized as other comprehensive income, and transferred to profit or loss for the period of the loss of control.

(5) Judging criteria for joint control and significant influence

If the Company collectively controls an arrangement with other parties in accordance with the relevant agreement, and the activity decision that has a significant impact on the return of the arrangement needs to be unanimously agreed upon by the parties sharing the control, it is considered that the Company and other parties jointly control an arrangement, which is a joint arrangement.

If the joint arrangement is reached through a separate entity and it determines that the Company has rights to the net assets of the separate entity in accordance with the relevant agreement, the separate entity is regarded as a joint venture and is accounted for using the equity method. If it is judged according to the relevant agreement that the Company does not have rights to the net assets of the separate entity, the separate entity acts as a joint operation, and the Company recognizes the items related to the share of the interests of the joint operation and conducts accounting treatment in accordance with the relevant ASBEs.

Significant influence refers to the investor's power of participation in making an investee's financial and operation policies but the Company cannot control or jointly control with other parties to make these policies. The Company has a significant influence on the investee under one or more of the following situations and taking into account all facts and circumstances: (1) it is represented on the board of directors or similar authorities of the investee; (2) it involves in the formulation of financial and operating policy of the investee; (3) it has important transactions with the investee; (4) it dispatches management personnel to the investee; (5) it provides key technical information to the investee.

23. Investment Property

Measurement model for investment property

Measured based on the cost method

Depreciation or amortization method

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

The Company's investment property is recorded at its cost, and the cost of purchased investment property includes the purchase price, related taxes and other expenses directly attributable to the asset; the cost of self-built investment property is composed of the necessary expenses incurred before the asset is ready for expected use.

The Company adopts the cost model for subsequent measurement of investment property, and depreciates or amortizes buildings and land use rights according to their estimated service life and net residual value. Expected useful life, residual value and annual depreciation rate are as follows:

Categories	Expected useful life (years)	Expected residual value rate (%)	Annual depreciation (amortization) (%)
Housing & buildings	20 -35	5.00	4.80 -2.70

When the use of investment property is changed to self-use, the Company converts the investment property into fixed assets or intangible assets from the date of change. When the use of self-use property changes to rental earning or capital appreciation, the Company converts fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the carrying amount before conversion is used as the converted value.

The investment property is derecognized when the investment property is disposed of, or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal. The amount of disposal income from the sale, transfer, retirement or damage of the investment property after deducting its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

24. Fixed asset

(1) Recognition conditions of fixed assets

Fixed assets are tangible assets that are held for production of goods, supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year. Fixed assets are recognized when the following conditions are met at the same time:

- 1) The economic benefit related to the fixed asset is likely to flow into the enterprise;
- 2) The cost of the fixed asset can be reliably measured.

(2) Depreciation methods

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

Depreciation of fixed assets is accrued over the estimated useful life based on its recorded value less the estimated net residual value. The fixed assets that have been provided for impairment losses are depreciated in the future period based on the carrying amount after deducting the impairment provision and the remaining useful life.

The Company determines the service life and estimated net residual value of fixed assets based on the nature and usage of fixed assets. The Company rechecks the service life, predicted net residual value and depreciation method of the fixed asset at the end of of a year. In case there exists any difference with the original estimate, the corresponding adjustment should be made.

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

Inapplicable

25. Construction-in-progress

(1) Construction-in-progress

The self-built construction in progress of the Company is measured at the actual cost, which is determined by the necessary expenses incurred before the construction of the asset reaches the intended usable condition, including the cost of engineering materials, labour costs and relevant taxes payable, capitalized borrowing costs and indirect costs that should be apportioned.

(2) Criteria for and time point of construction in progress to convert into fixed asset

For a construction-in-progress, its entry value shall be the total expenses incurred before the built asset reaches the expected use condition. Where a construction in progress has reached the expected use condition but the final accounts of the as-built project have not been settled, from the day when the fixed asset reaches the expected use condition, values estimated according to the construction budget and cost or the actual construction cost shall be assigned to the fixed asset, and the fixed asset shall be depreciated under the fixed asset depreciation provisions. The depreciation amount already provided is not adjusted.

26. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred to the Company can be directly attributable to the acquisition, construction or production of assets that meet the conditions for capitalization, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs shall be recognized as expenses based on the amount incurred when they incur and included in the current profit and loss.

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

As soon as the borrowing costs meet the following conditions, capitalization starts:

A. Asset expenditures have already occurred, including expenditures in the form of paying cash, transferring non-cash assets, or assuming interest-bearing debts for the purchase, construction or production of assets that meet the capitalization conditions;

B. Borrowing costs have incurred;

C. The purchase, construction or production activities necessary for the assets to reach the expected usable or saleable state have already begun.

(2) Period of capitalization of borrowing costs

The capitalization period refers to the period from the time when the capitalization of borrowing costs starts to the time when the capitalization is stopped, excluding the period during which the capitalization of borrowing costs is suspended.

When the acquisition, construction or production of assets that meet the capitalization conditions reaches the intended usable or saleable state, the capitalization of borrowing costs shall cease.

When a part of the assets purchased or produced that meet the capitalization conditions are completed and can be used alone, such part of the assets shall stop capitalization of borrowing costs.

Where each part of the assets purchased or produced is completed separately, but must wait until the whole is completed or can be sold externally, the capitalization of the borrowing costs shall be stopped when the assets are completed as a whole.

(3) Suspension of capitalization period

If an abnormal interruption occurs during the acquisition, construction or production of an asset that meets the capitalization conditions, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended; if the interruption is a necessary procedure for the acquired, constructed or produced assets eligible for capitalization to reach the intended use or sale state, the borrowing costs may continue to be capitalized. The borrowing costs incurred during the interruption period are recognized as the current profit and loss, and the borrowing costs continue to be capitalized after the acquisition, construction or production activities of the asset are resumed.

(4) Calculation method for the capitalized amount of borrowing costs

Interest charges on special borrowings (excluding interest income on unused borrowings deposited in the bank, or investment income on temporary investment) and their ancillary expenses shall be capitalized before the assets purchased or produced that meet the capitalization conditions are ready for intended use or sale.

The amount of capitalized interest on general borrowings is calculated by the weighted average of the excess portion of the accumulative asset expenditures over the special borrowings multiplied by the capitalization rate of general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

Where there is a discount or premium in the borrowings, the interest amount shall be adjusted in accordance with the effective interest rate method to determine the discount or premium amount that shall be amortized during each accounting period.

27. Biological Assets

Inapplicable

28. Oil and Gas Assets

Inapplicable

29. Right-to-use Assets

The Company initially measures the right-to-use assets at cost, which includes:

- 1) initial measurement amount of lease liabilities;
- 2) lease payments made before or at the beginning of the lease term, and deduction of the relevant amount of rental incentives if any;
- 3) initial direct expenses incurred by the Company;
- 4) expected costs to be incurred by the Company for dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the state agreed in the lease terms (excluding costs incurred for the production of inventory)

After the starting date of the lease term, the Company adopts the cost model for subsequent measurement of the asset with use right.

If it can be reasonably determined to obtain the ownership of the leased asset at the expiration of the lease term, the Company shall accrue depreciation during the remaining useful life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained when the lease term expires, the Company shall accrue depreciation during the shorter period of the lease term and the remaining useful life of the leased asset. For the right-to-use assets with impairment provision, depreciation shall be calculated based on the book value after deduction of impairment provision in according with the above principles in future periods.

30. Intangible assets

(1) Pricing Method, Service Life and Impairment Test

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the Company which have no physical form, including land use rights, software and trademark use rights.

1) Initial measurement of intangible assets

The cost of outsourcing intangible assets includes the purchase price, relevant taxes, and other expenditures directly attributable to the asset's intended use. If the payment for the purchase of intangible assets is delayed beyond the normal

credit conditions and is of a financing nature, the cost of the intangible assets is determined on the basis of the present value of the purchase price.

For an intangible asset acquired through debt restructuring by the debtor for the purpose of repaying debts, the Company determines its entry value on the basis of the fair value of the intangible assets, and includes the difference between the book value of the restructured debt and the fair value of the fixed assets used to repay the debts in the current period profit and loss.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of the exchanged assets or exchanged assets can be reliably measured, the intangible assets exchanged in with non-monetary assets are determined on the basis of the fair value of the exchanged assets, unless there is conclusive evidence showing that the fair value of the assets exchanged in is more reliable; for non-monetary asset exchanges that do not meet the above premises, the book value of the assets exchanged and the relevant taxes and fees payable shall be used as the cost of the exchange of intangible assets, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination under common control, its book value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger not under common control, its book value is determined by the fair value of the intangible asset.

The costs of intangible assets developed internally includes: materials used in the development of the intangible asset, labor costs, registration fees, amortization of other patents and franchises used in the development process, and interest expenses that meet the capitalization conditions , and other direct expenses incurred before the intangible asset reaches its intended use.

2) Subsequent measurement of intangible assets

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible assets with limited useful life and indefinite useful life.

Intangible assets with a limited useful life

Intangible assets with a limited useful life are depreciated using straight line method over the term during which they bring economic benefits to the Company. The estimated life and basis for the intangible assets with a limited useful life are as follows:

Items	Estimated useful life	Amortization Method
Land use right	50	Straight-line method
Software system	5	Straight-line method
Trademark rights	5 -10	Straight-line method

The useful life and depreciation method of intangible assets with a limited useful life are reassessed at the end of each period. If there is a difference from the original estimate, corresponding adjustments will be made.

Upon re-assessment, there was no difference in the useful life and depreciation method of intangible assets from the previous estimates at the end of the period.

(2) Accounting policy for internal research and development expenditure

1) Specific basis for determining the research stage and development stage of internal research and development projects of the Company

Research phase: The phase of original planned investigations, research activities to acquire and understand new science or technology knowledge, etc.

Development phase: It is the phase in which the research result or other knowledge is applied in some plan or design so that new or substantially improved materials, devices, products, etc. are produced prior to commercial production or use.

The expenditure of the research stage of the internal research and development project is included in the current profit or loss at the time of occurrence

2) Specific standard for capitalization of expenditure in the development stage

The expenditure of an internal research and development project in the development stage is recognized as an intangible asset when meeting all of the following conditions:

- A. It is technically feasible to complete the intangible asset so that it can be used or sold;
- B. With an intention to complete the intangible asset and to use or sell it;
- C. The way the intangible asset generates economic benefits can prove the existence of a market for the products produced using the intangible asset or a market for the intangible asset itself, and if the intangible asset will be used internally, its usefulness can be proven;
- D. Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset, and having the ability to use or sell the intangible asset;
- E. Expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit or loss at the time of occurrence. The development expenditures which have been included in the profit or loss in the previous periods will not be recognized as an asset in the future period. The capitalized expenditures in the development phase are shown in the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

31. Impairment of long term assets

On the balance sheet date, the Company determines whether there may be a sign of impairment on long-term assets. If there is a sign of impairment on long-term assets, the recoverable amount is estimated on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, then determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs.

The estimated recoverable amount of an asset is the higher of its fair value less the cost of disposal and the present value of the expected future cash flow of the asset.

The measurement results of recoverable amount show that when the recoverable amount of an long-term asset is lower than its book value, the book value of the long-term asset is reduced to its recoverable amount. The reduced amount is recognized as an impairment loss on the asset and included in the current profit or loss, at the same time, asset impairment

provision will be made accordingly. Asset impairment loss shall not be reversed during the subsequent accounting period once recognized.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

For the goodwill formed from consolidation of an enterprise and intangible asset with the undetermined service life, regardless whether there exists any evidence of impairment, impairment testing is conducted every year.

In the impairment test of goodwill, the book value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When taking an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the Company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related book value to recognize the corresponding impairment loss. Next, the Company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the book value of the related asset group or portfolio of asset group (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the book value, the Company will recognize the impairment loss of goodwill.

32. Long term expenses to be apportioned

(1) Amortization Method

Long term expenses to be apportioned refer to expenses that have already been spent by the Company, but shall be apportioned in the current period and the future periods and the benefit period is over 1 year. Long term expenses to be apportioned are amortized in benefit period.

(2) Amortization period

Categories	Amortization period
Counter fabrication expenses	2 -3
Decoration expenses	3 -5
Others	2 -3

33.Contract liabilities

The obligation to transfer goods to a customer for which consideration has been received or receivable is recognized in part as a contract liability.

34. Payroll to Employees

(1) Accounting treatment of short term salaries

Short-term remuneration refers to the remuneration of the employees that needs to be fully paid within 12 months after the end of the annual reporting period in which the employees provide related services, except for post-employment

benefits and termination benefits. During the accounting period in which employees provide services, the Company recognizes the short-term remuneration payable as a liability and accounts for the relevant asset costs and expenses based on the beneficiaries of the services provided by the employees.

(2) Post-employment benefits

Post-employment benefits refer to the compensation and benefits provided, after employees' retirement and termination of employment, by the Company in order to obtain services from employees, except for the short-term compensation and employee benefits.

The Company's post-employment benefits is defined contribution plan.

The defined contribution plan of the Company refers to the basic endowment insurance, unemployment insurance paid for the employees according to relevant regulation by local governments. During the accounting period when employees render services to the Company, amount payable calculated by the base and ratio in conformity with local regulation is recognized as liability and accounted for profit and loss or related cost of assets.

After paying the above-mentioned funds regularly in accordance with the standards and annuity plans stipulated by the state, the Company does not have other payment obligations.

(3) Termination benefits

Termination benefits refer to the compensation paid to an employee when the Company terminates the employment relationship with the employee before the expiry of the employment contract or provides compensation as an offer to encourage the employee to accept voluntary redundancy. The Company recognizes the liabilities arising from the compensation paid to terminate the employment relationship with employees and includes the same in the current profit or loss at the earlier date of the following: when the Company cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and the Company recognizes the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

The Company provides internal retirement benefits to employees who accept internal retirement arrangements. The internal retirement benefits refer to the remuneration and the social insurance premiums paid to the employees who have not reached the retirement age set by the State, and voluntarily withdrew from the job after approval of the Company's management. The Company pays internal retired benefits to an internal retired employee from the day when the internal retirement arrangement begins till the employee reaches the normal retirement age. For internal retirement benefits, the Company conducts accounting treatment in contrast to the termination benefits. When the related recognition conditions of termination benefits are met, the Company will recognize the remuneration and the social insurance premiums of the internal retired employee to be paid during the period between the employee's termination of service and normal retirement date as liabilities and include the same in the current profit or loss in one time. Changes in actuarial assumptions of internal retirement benefits and differences arising from the adjustment of welfare standards are included in current profit or loss when incurred.

(4) Other long term employee benefits

Other long-term employee benefits refer to all employee benefits except for short-term remuneration, post-employment benefits, and termination benefits.

For other long-term employee benefits that meet the conditions of the defined contribution plan, during the accounting period in which the employees provide services for the Company, the amount that should be paid is recognized as a liability and is included in the current profit or loss or related asset costs. In addition to the above situations, other long-term employee benefits are actuarially calculated by the independent actuary using the expected cumulative welfare unit method on the balance sheet date, and the welfare obligations arising from the defined benefit plans are attributed to the period during which the employees provide services and are included in the current profit or loss or related asset costs.

35. Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. In calculating the present value of lease payments, the Company adopts the interest rate implicit in the lease as the discount rate. If it is impossible to determine the interest rate implicit in the lease, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) Where the Company reasonably determines that the option will be exercised, the amount of the lease payment includes the exercise price of purchase option;
- 4) Where the lease term reflects that the Company will exercise the option to terminate the lease, the amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
- 5) Expected payments based on the guaranteed residual value provided by the Company.

The Company calculates the interest charges of the lease liabilities for each period of the lease term at a fixed discount rate and includes the same in the profit or loss of the current period or the related asset costs.

Variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the related asset costs when they actually occur.

36. Projected liabilities

(1) Basis for recognition of projected liabilities

The Company will recognize projected liabilities if the obligation relating to contingent matters meets all of the following conditions:

This obligation is a present obligation assumed by the Company;

The fulfillment of this obligation will probably cause the outflow of economic benefits from the Company;

The amount of this obligation can be measured reliably.

(2) Measurement method of projected liabilities

The initial measurement of projected liabilities of the Company is based on the best estimate of the expenditure required for the performance of the related present obligations.

When determining the best estimate, the Company comprehensively considers the risks, uncertainties relating to the contingent matters and time value of currency. If the time value of currency has a great influence, the Company determines the best estimate by discounting the related future cash outflows.

The best estimate is determined in different situations as follow:

If there is a continuous range (or interval) of the required expenditure and the probability of the occurrence of all the results in the range is the same, the best estimate is determined according to the median value of the range, which is the average of the upper and lower limit.

Where there is not a continuous range (or interval) of the required expenditure, or there is a continuous range, but the probability of the occurrence of all the results in the range is different, if the contingencies involve a single project, the best estimate is determined by the amount which is most likely to occur; if the contingencies involve a number of projects, the best estimate is determined based on various possible results and related probability calculation.

If all or part of the expenses of the Company required to settle projected liabilities are expected to be compensated by a third party and it is basically certain to receive the amount of compensation, it is independently recognized as an asset. The amount of compensation recognized will not exceed the book value of the projected liabilities.

37. Share-based payments

(1)Category of share-based payment

The Company's share-based payments include equity-settled share-based payments and cash settled share-based payments.

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

For options and other equity instruments granted by the Company with an active market, the fair value is determined at the active market quotations. For options and other equity instruments granted by the Company with no active market, option pricing model shall be used to estimate the fair value of the equity instruments. Factors as follows shall be taken into account using option pricing models: (1) the exercise price of the option; (2) the validity of the option; (3) the current price of the target share; (4) the expected volatility of the share price; (5) predicted dividend of the share; (6) risk-free rate of the option within the validity period.

In determining the fair value of the equity instruments at the date of grant, the Company shall consider the impact of market conditions in the vesting conditions and non-vesting conditions stated in the share-based payment agreement. If there are no vesting conditions in the share-based payments, as long as the employees or other parties satisfy the non-market conditions in all of the vesting conditions (such as term of service) , the Company shall recognize the services rendered as an expense accordingly.

(3)Recognition basis for the best estimate of exercisable equity instruments

On each balance sheet date within the vesting period, the estimated number of exercisable equity instruments is amended based on the best estimate made by the Company according to the latest available subsequent information as to changes in the number of employees with exercisable rights. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

(4) Accounting treatment

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. If the right can be exercised immediately after the grant, the fair value of the equity instrument shall be included in the relevant costs or expenses on the date of grant, and the capital reserve shall be increased accordingly. If the right is exercised after the completion of the waiting period services or the achievement of the specified performance conditions, on each balance sheet date during the waiting period, based on the best estimate of the number of exercisable equity instruments, the fair value of the equity instruments is granted on the basis of value, including the services obtained in the current period into related costs or expenses and capital reserves. No adjustment will be made to the recognized related costs or expenses and the total owner's equity after the vesting date.

The cash-settled share-based payment is measured at the fair value of the liabilities assumed by the Company determined and based on shares and other equity instruments. If the right can be exercised immediately after the grant, the fair value of the liabilities assumed by the Company shall be included in the relevant costs or expenses on the date of grant, and the liabilities shall be increased accordingly. Cash-settled share-based payments that can only be exercised after the completion of the waiting period services or the specified performance conditions are exercised. At each balance sheet date during the waiting period, the best estimate of the exercise is based on the fair value of the liabilities assumed by the Company, including the services obtained in the current period as costs or expenses and corresponding liabilities. The fair value of the liabilities is re-measured and the movement is counted in the current profits and losses on each balance sheet day and settlement day before the settlement of related liabilities.

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

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

Inapplicable

39. Revenue

Accounting policies used in revenue recognition and measurement

The Company's revenue mainly come from:

Sales of watch

Precision manufacturing

Property leasing

(1) General principle of revenue recognition

The Company recognizes revenue when the contract performance obligations have been fulfilled i.e. the customer has gained control over the relevant goods or services.

Performance obligation means the Company's commitment to transfer identifiable goods or service to clients.

Obtaining control of the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom.

The Company assesses contracts at the beginning date of a contract to identify each performance obligations contained in a contract and to determine whether each performance obligation is to be finished over a period of time or at a point of time. The Company satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a certain point in time: (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (2) the customer can control the goods under construction during the Company's performance; (3) the Company's performance does not create goods with an alternative use to it and the Company has a right to payment for performance completed to date throughout the contract term. Otherwise, the Company recognizes revenue at the point of time.

For performance obligation satisfied over time, the Company recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The input method is to determine the performance progress based on the Company's input for fulfilling its performance obligations. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognizes revenue only to the extent of the amount of costs incurred until it can reasonably measure the outcome of the performance obligation.

(2) Detailed method of revenue recognition

The Company has three main business sectors: sales of watch, precision manufacturing and property leasing. Based on the Company's business mode and terms of settlement, the Company set detailed method of revenue recognition method as follows:

1) Sales of watch

Sale of watch belongs to fulfilling performance obligations at a point of time.

① Online sales

Revenue shall be recognized at the point that the goods are dispatched and the customer confirmed received the goods.

② Offline sales

Revenue shall be recognized at the point when the goods are delivered and payment by customer is collected.

③ Consignment sale

The Company recognizes revenue when the Company receives the detail of the sales list from distributors and confirms that the control over goods ownership were transferred to the purchaser.

④ Sale of consigned goods from others

Under sale of consigned goods from others, the Group recognizes revenue in net amount when it delivered consigned sale goods to customer and confirms that control over the ownership of goods were transferred to the purchaser.

2) Precision manufacturing

Precision manufacturing business belongs to fulfilling performance obligations at a point of time. Revenue from domestic sales shall be recognized when the goods are delivered and the economic benefit associated with the goods is probable to flow into the Company. Revenue from export shall be recognized when the following criteria is satisfied: The Company declared the good at custom; obtained bill of lading; the right of collecting payment is obtained and its probable that the economic benefit associated with the goods flows into the Company.

3)Property leasing

Refer to Note V 42 for details:accounting treatment with the Company as the lessor

(3) Revenue treatment principles for specific transactions

1) Contracts with sales return provisions

When the customer obtains control of the relevant goods, revenue is recognized based on the amount of consideration expected to be received due to the transfer of goods to the customers (exclusive of the amount expected to be refunded due to the return of sales) , while liability is recognized based on the amount expected to be refunded due to the return of sales.

The carrying amount of goods expected to be returned at sales of goods, after deduction of costs expected to incur for recovery of such goods (including impairment of value of the returned goods) , will be accounted for under the item of “Right of return assets”.

2) Contracts with quality assurance provisions

The Company assesses whether a separate service is rendered in respect of the quality assurance besides guaranteeing the sales of goods to customers are in line with the designated standards. When additional service is provided by the Company, it is considered as a single performance obligation and under accounting treatment according to the standards on revenue; otherwise, quality assurance obligations will be under accounting treatment according to the accounting standards on contingent matters

Differences in accounting policies for revenue recognition caused by the adoption of different business models for similar businesses

Nil

40. Government subsidies

(1) Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation, however excluding the capital invested by the government as a corporate owner. According to the subsidy objects stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to income.

Government subsidies related to assets are obtained by the Company for the purposes of acquiring, constructing or otherwise forming long-term assets. Government subsidies related to income refer to the government subsidies other than those related to assets.

(2) Recognition of government subsidies

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and is expected to receive the financial support funds at the end of the period, the amount receivable is recognized as government subsidies. Otherwise, the government subsidy is recognized upon actual receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably obtained, a nominal amount (CNY 1) is used. Government subsidies that are measured at nominal amount shall be recognized in the current profit or loss directly.

(3) Accounting treatment

The Company determines whether a government subsidy shall use gross method or net method based on its economical substance. In general, only one method is used for one category or similar government subsidy and it shall be used in a consistent way.

Government subsidies related to assets are recognized as deferred income, and are recognized, under reasonable and systematic approach, in profit and loss in each period over the useful life of the constructed or purchased assets;

Government subsidies related to income aiming at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income, and are recognized in current profit or loss when relevant expenses or losses are recognized. Government subsidies aiming at compensating for relevant expenses or losses of the enterprise that are already incurred are charged to current profit or loss once received.

Government subsidies related to daily activities of enterprises are included in other income; government subsidies that are not related to daily activities of enterprises are included in non-operating income and expense.

Government subsidies related to the discount interest received from policy-related preferential loans offset the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

When it is required to return recognized government subsidy, if such subsidy is used to write down the carrying value of relevant assets on initial recognition, the carrying value of the relevant assets shall be adjusted; if there is balance of relevant deferred income, it shall be written down to the book balance of relevant deferred income, and the excess is included in the current profit or loss; where there is no relevant deferred income, it shall be directly included in the current profit or loss

41. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On balance sheet date, the

deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when it is expected to recover such assets or settle such liabilities.

(1) Criteria for recognition of deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized, and deductible losses and taxes can be carried forward to subsequent years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in a transaction with the following features are not recognized: 1) the transaction is not a business combination; 2) neither the accounting profit or the taxable income or deductible losses will be affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

(2) Criteria for recognition of deferred income tax liabilities

The Company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

- 1) temporary difference arising from the initial recognition of goodwill;
- 2) a transaction or event arising from non-business combination, and neither the accounting profit or the taxable income (or deductible losses) will be affected when the transaction or event occurs;
- 3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the temporary difference can be controlled and the temporary difference is probably not reversed in a foreseeable future

(3) When all of the following conditions are satisfied, deferred income tax assets and deferred income tax liabilities shall be presented on a net basis

- 1) An enterprise has the statutory right to settle the current income tax assets and current income tax liabilities at their net amounts;
- 2) The deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax assets and current income tax liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

42. Lease

(1) Accounting process for operating lease

The Company adopts the straight-line method or other systematic and reasonable method in each period of the lease term, and recognizes the lease receipts from operating leases as rental income; the initial direct expenses incurred in relation to operating leases are capitalized and amortized on the same basis as rental income recognition during the lease term, and

included in the current profit and loss in installments; the variable lease payments obtained in relation to operating leases that are not included in the lease receipts are included in the current profit and loss when actually incurred.

(2) Accounting treatment method for finance lease

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the expiry of the lease term, the ownership of the leased assets is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- 3) Although the ownership of the assets is not transferred, the lease term accounts for the majority of the life of the leased assets.
- 4) On the commencement date of the lease, the present value of the lease receipts is almost equal to the fair value of the leased assets.
- 5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, it may also be classified as a financial lease:

- 1) If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- 2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- 3) The lessee can continue to lease far below the market level for the next period.

On the commencement date of lease term, the Company recognizes the financial lease receivable on the financial leases and derecognizes the financial lease assets.

When the initial measurement of the financial lease receivable is made, the book value of the financial lease receivable is the sum of the unsecured balance and the present value of lease receipts that have not yet been received at the beginning of the lease term discounted at the interest rate implicit in the lease. The lease receipts include:

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) In the case of reasonably determining that the lessee will exercise the purchase option, the lease receipts include the exercise price of purchase option;
- 4) If the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipts include the amount to be paid by the lessee in exercising the option to terminate the lease;

5) Guarantee residual value provided to the lessor by the lessee, the party concerned with the lessee and an independent third party with financial capacity to fulfill the guarantee obligation.

The Company calculates and recognizes the interest income for each period of the lease term based on the fixed interest rate implicit in the lease, and the variable lease payments which are obtained and not included in the net rental investment amount are included in the profit or loss of the period when they actually occur.

43. Other important accounting policy and accounting estimate

Inapplicable

44. Changes in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

Inapplicable

(2) Change in significant accounting estimates

Inapplicable

45. Others

Inapplicable

VI. Taxation

1. Types of major taxes and tax rates

Type of taxes	Tax basis	Tax rates
Value-added tax	Domestic sales and provision of processing, repairing and repairing services; property lease services; other taxable sales service activities; simplified method	13%, 9%, 6% and 5%
Consumption tax	High-grade watches	20%
Urban maintenance and construction tax	Amount of the turnover tax actually paid	7% and 5%
Business income tax	Taxable income amount	For the detail, refer to the following table

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

Taxpayers	Income tax rates
Shenzhen Harmony World Watches Center Co., Ltd.(①)	25%
FIYTA Sales Co., Ltd. (①)	25%
Shenzhen FIYTA Precision Technology Co., Ltd. (②③)	15%
Shenzhen FIYTA Technology Development Co., Ltd. (②③)	15%

Harmony World Watches Center (Hainan) Ltd.(⑥)	20%
Shenzhen XUNHANG Precision Technology Co., Ltd.	25%
Emile Chouriet (Shenzhen) Limited	25%
Liaoning Hengdarui Commerce & Trade Co., Ltd.	25%
Shiyuehui Boutique (Shenzhen) Co., Ltd.	25%
Shenzhen Harmony E-Commerce Limited (⑥)	20%
FIYTA (Hong Kong) Limited (④)	16.5%
Montres Chouriet SA (⑤)	30%

2. Tax Preferences

Note ① : According to the regulations stated in “Interim Administration Method for Levy of Corporate Income Tax to Enterprise that Operates Cross-regionally”, the head office of the Company and its branch offices, the head office of HARMONY Company and its branch offices, and the head office of Sales Company and its branch offices adopt tax submission method of “unified calculation, managing by classes, pre-paid in its registered place, settlement in total, and adjustment by finance authorities”. Branch offices mentioned above share 50% of the enterprise income tax and prepay locally; and 50% will be prepaid by the head offices mentioned above;

Note ②: According to “Notice of the Ministry of Finance, the State Administration of Taxation and Ministry of Science on Further Perfection of the Pre-tax Super Deduction Ratio of Research and Development Expenses” (Cai Shui (2021) No. 13) , if the research and development costs are not capitalized as intangible assets but charged to current profit or loss, all of these entities can enjoy a 100% super deduction on top of the R&D expenses that allowed to deduct before income tax since 1 January 2021.

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

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

Note ⑤: The comprehensive tax rate of 30% is applicable for Swiss Company as it registered in Switzerland.

Note ⑥ These companies are small and low-profit enterprises, which enjoy 20% tax rate.

2.Preferential treatment and corresponding approval

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households (CAISHUI (2022) No. 13), “Proclamation of Ministry of Finance and State Administration of Taxation in Implementing Preferential Tax Rate to Small and Low Profit Enterprises and Sole-proprietors” (Caishui (2021) No.12) and “Notice of Ministry of Finance and State Administration of Taxation on Implementation of the Inclusive Income Tax Deduction and

Exemption Policies for Small Low-Profit Enterprises” (Cai Shui (2019) No.13) , the portion of annual taxable income of small low-profit enterprise that is below CNY1,000,000.00 will be included in taxable income at 12.5% and to be taxed at a rate of 20%; and for annual taxable income that is greater than CNY1,000,000.00 but not exceeding CNY3,000,000.00, of which 25% will be included in taxable income and to be taxed at 20%.

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), commencing from January 1, 2018, the unrecovered losses incurred in the 5 fiscal years before being qualified for becoming a high-tech enterprise are allowed to be carried forward to make up for subsequent years, and the longest carry-forward period has been extended from 5 years to 10 years.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on Further Keeping Accelerating the Implementation of the Policies Regarding the Refund of Term-End Excess Input Value-Added Tax Credits, the eligible small and micro enterprises may apply to the competent tax authority for refund of the incremental tax credits starting from the tax filing period in April 2022. Eligible micro-enterprises may apply to competent tax authorities for refund of existing excess input tax credits commencing from April 2022; eligible small enterprises pay apply to competent tax authorities for the refund of existing excess input tax credits in a lump sum from the tax return filing period of May 2022.

3. Others

Inapplicable

VII. Notes to items of consolidated financial statements

1. Monetary capital

In CNY

Items	Ending balance	Opening balance
Cash in stock	175,028.83	108,612.08
Bank deposit	392,393,331.66	188,908,798.10
Other Monetary Funds	1,305,570.06	21,237,326.96
Total	393,873,930.55	210,254,737.14
Including: total amount deposited overseas	4,702,798.19	1,724,651.93

Other note

As at 30th June 2021, the Company does not have balance of cash or other monetary funds that are restricted because being pledged as security, frozen or have potential risk in recovery.

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	4,401,079.80	2,989,331.70
Trade acceptance	49,453,891.33	58,268,814.10
Total	53,854,971.13	61,258,145.80

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	
Including :										
Notes receivable for which bad debt reserve has been provided based on portfolios	56,457,807.54	100.00%	2,602,836.41	4.61%	53,854,971.13	64,324,925.49	100.00%	3,066,779.69	4.77%	61,258,145.80
Including :										
Business acceptance note	52,056,727.74	92.20%	2,602,836.41	5.00%	49,453,891.33	61,335,593.79	95.35%	3,066,779.69	5.00%	58,268,814.10
Risk-free bank acceptance portfolio	4,401,079.80	7.80%		0.00%	4,401,079.80	2,989,331.70	4.65%		0.00%	2,989,331.70
Total	56,457,807.54	100.00%	2,602,836.41	4.61%	53,854,971.13	64,324,925.49	100.00%	3,066,779.69	4.77%	61,258,145.80

Provision for bad debts based on portfolio: commercial acceptance portfolio

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Business acceptance note	52,056,727.74	2,602,836.41	5.00%
Total	52,056,727.74	2,602,836.41	

Note to the basis for determining the combination:

Notes receivables with same aging have similar credit risk characteristics

Provision for bad debts based on portfolio: bank acceptance portfolio

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Risk-free bank acceptance portfolio	4,401,079.80		0.00%
Total	4,401,079.80		

Note to the basis for determining the combination:

The issuer has higher level of credit rating and no default in past and has strong ability to fulfill its contractual cash follow obligation

If the provision for bad debts of notes receivable is accrued in accordance with the general expected credit loss model, please refer to the disclosure of other receivables to disclose the relevant information of the provision for bad debts:

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	Recovery or reversal	Written-off	Others	
Notes receivable with expected credit loss by portfolio	3,066,779.69	0.00	463,943.28	0.00	0.00	2,602,836.41
Total	3,066,779.69	0.00	463,943.28	0.00	0.00	2,602,836.41

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

In CNY

Items	Amount involved in the termination of recognition at the end of the reporting period	Amount without termination of recognition at the end of the reporting period

Commercial acceptance bills	0.00	12,178,305.45
Total	0.00	12,178,305.45

(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 receivable disclosed by category

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	42,011,496.08	9.07%	30,585,384.60	72.80%	11,426,111.48	41,742,982.67	9.66%	32,056,051.67	76.79%	9,686,931.00
Including :										
Accounts receivable for which bad debt reserve has been provided based on portfolios	421,417,857.95	90.93%	13,208,263.48	3.13%	408,209,594.47	390,245,370.43	90.34%	11,046,700.15	2.83%	379,198,670.28
Including :										
Accounts receivable from other customers	421,417,857.95	90.93%	13,208,263.48	3.13%	408,209,594.47	390,245,370.43	90.34%	11,046,700.15	2.83%	379,198,670.28
Total	463,429,354.03	100.00%	43,793,648.08	9.45%	419,635,705.95	431,988,353.10	100.00%	43,102,751.82	9.98%	388,885,601.28

Bad debt reserve provided based on individual items: Accounts receivable from other customers

In CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Provision proportion	Provision reason
Accounts receivable from other customers	42,011,496.08	30,585,384.60	72.80%	Small possibility of recovery as predicted
Total	42,011,496.08	30,585,384.60		

Bad debt reserve provided based on portfolio: Accounts receivable from other customers

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Accounts receivable from other customers	421,417,857.95	13,208,263.48	3.13%
Total	421,417,857.95	13,208,263.48	

Note to the basis for determining the combination:

Notes receivables with same aging have similar credit risk characteristics

Provision for bad and doubtful debts based on portfolio:

Inapplicable

Note to the basis for determining the combination:

Inapplicable

If the provision for bad debts of accounts receivable is accrued in accordance with the general expected credit loss model, please refer to the disclosure of other receivables to disclose the relevant information of the provision for bad debts:

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	426,691,644.02
1 to 2 years	18,361,770.82
2 to 3 years	6,003,104.55
Over 3 years	12,372,834.64
3 to 4 years	5,990,829.06
4 to 5 years	4,181,220.96
Over 5 years	2,200,784.62
Total	463,429,354.03

(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	Recovery or reversal	Written-off	Others	

Accounts receivable with single provision for expected credit loss	32,056,051.67	612,187.80	2,130,784.84	0.00	47,929.97	30,585,384.60
Accounts receivable with provision for expected credit loss by portfolio	11,046,700.15	2,182,725.60	27,507.41	0.00	6,345.14	13,208,263.48
Total	43,102,751.82	2,794,913.40	2,158,292.25	0.00	54,275.11	43,793,648.08

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

In CNY

Organization name	Amount recovered or reversed	Way of recovery
Suning.com Co.,Ltd.	1,827,384.80	Bank transfer
Total	1,827,384.80	

(3) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Organization name	Ending balance of the accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of the provision for bad debts
Summary of the top five accounts receivable in the ending balance	153,783,424.18	33.18%	16,278,612.40
Total	153,783,424.18	33.18%	

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

Inapplicable

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

Inapplicable

6. Financing with accounts receivable

Inapplicable

7. Advance payments

(1) Advance payments are presented based on ages

In CNY

Aging	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	10,582,818.74	100.00%	7,946,750.81	100.00%
Total	10,582,818.74		7,946,750.81	

Note to the reason why advance payments with an age exceeding 1 year and significant amount are not settled in time:

Inapplicable

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

Organization name	Ending balance	Proportion in the total advance payments
Summary of the advance payments in the ending balance to the top 5 payees	5,734,567.00	54.19%

8. Other receivables

In CNY

Items	Ending balance	Opening balance
Other receivables	58,848,161.73	61,553,267.82
Total	58,848,161.73	61,553,267.82

(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 the fund	Ending book balance	Opening book balance
Reserve for employees	4,787,803.12	2,556,673.37
Collateral, deposit	49,614,405.76	55,467,644.12
Others	8,691,913.30	7,949,229.66
Total	63,094,122.18	65,973,547.15

2) Provision for bad debts

In CNY

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in future 12 months	Expected credit loss in the whole duration (no credit impairment incurred)	Expected credit loss in the whole duration (credit impairment already incurred)	
Balance as at January 01, 2022	3,055,122.43		1,365,156.90	4,420,279.33
Balance as at January 01, 2022 in the reporting period				
Provision in the reporting period	42,606.08		20,570.00	63,176.08
Reversal in the reporting period	228,782.56		8,100.00	236,882.56
Other changes	-612.40			-612.40
Balance as at June 30, 2022	2,868,333.55		1,377,626.90	4,245,960.45

Provision for loss - Change of the book balance with significant amount during the reporting period

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	61,807,524.74
1 to 2 years	649,029.90
2 to 3 years	477,214.06
Over 3 years	160,353.48
3 to 4 years	120,303.48
Over 5 years	40,050.00
Total	63,094,122.18

(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	Recovery or reversal	Written-off	Others	
Provision for bad debt	4,420,279.33	63,176.08	236,882.56	0.00	-612.40	4,245,960.45
Total	4,420,279.33	63,176.08	236,882.56	0.00	-612.40	4,245,960.45

Where a significant amount of the reserve for bad debt recovered or reversed during the reporting period:

Inapplicable

4) Other receivables actually written off in the reporting period

Inapplicable

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

In CNY

Organization name	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Summary of the top five other receivables in the ending balance	Collateral, deposit, etc.	17,475,483.52	Within 1 year	27.70%	873,774.17
Total		17,475,483.52		27.70%	873,774.17

6) Accounts receivable involving government subsidy

Inapplicable

7) Other receivables derecognized due to transfer of financial assets

Inapplicable

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

Inapplicable

9. Inventories

Does the Company need to comply with the requirements on information disclosure for real estate industry
No

(1) Classification of inventories

In CNY

Items	Ending balance			Opening balance		
	Book balance	Provision for price falling of inventory or provision for impairment of contract performance costs	Book value	Book balance	Provision for price falling of inventory or provision for impairment of contract performance costs	Book value
Raw materials	159,690,508.07	18,231,497.79	141,459,010.28	181,764,220.90	17,693,135.85	164,071,085.05
Products in process	8,473,878.87	0.00	8,473,878.87	20,682,530.58	0.00	20,682,530.58
Commodities in stock	1,919,590,959.85	89,527,578.61	1,830,063,381.24	1,960,110,199.48	94,715,064.22	1,865,395,135.26
Total	2,087,755,346.79	107,759,076.40	1,979,996,270.39	2,162,556,950.96	112,408,200.07	2,050,148,750.89

(2) Provision for price falling of inventory or provision for impairment of contract performance costs

In CNY

Items	Opening balance	Amount increased in the reporting period		Decrease in the reporting period		Ending balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	17,693,135.85	0.00	551,010.65	12,648.71	0.00	18,231,497.79
Commodities in stock	94,715,064.22	360,867.40	51,325.37	5,599,678.38	0.00	89,527,578.61
Total	112,408,200.07	360,867.40	602,336.02	5,612,327.09	0.00	107,759,076.40

Note to provision for price falling:

Items	Evidence of determine NRV and future selling cost	Reason for reversal or write-off of the provision for price falling of inventories in the reporting period
Raw materials	Estimated selling price less estimated cost to complete and selling and distribution expenses and associated taxes	Factors that caused impairment has been disappeared and the NAV is higher than its carrying amount
Commodities in stock	Estimated selling price less estimated selling and distributing expenses and associated taxes	Inventory that already provided for was sold or used in current period

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

Inapplicable

(4) Description of the current amortization amount of contract performance costs

Inapplicable

10. Contract assets

Inapplicable

11. Held-for-sale assets

Inapplicable

12. Non-current assets due within a year

Inapplicable

13. Other current assets

In CNY

Items	Ending balance	Opening balance
Excess VAT paid	12,669,164.38	20,468,630.65
Input VAT to be certified	13,369,767.27	41,895,970.19
Income tax paid in advance	282,638.67	2,459,142.75
Others	4,947,045.88	7,874,949.13
Total	31,268,616.20	72,698,692.72

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 derecognized 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
		Addition al investment	Decrease of investment	Income from equity investment recognized under equity method	Adjustment of other comprehensive income	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai Watch Industry Co., Ltd.	55,155,605.31			2,462,626.52						57,618,231.83	
Sub-total	55,155,605.31			2,462,626.52						57,618,231.83	
Total	55,155,605.31			2,462,626.52						57,618,231.83	

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-transactional equity instruments in the reporting period

Inapplicable

19. Other non-current financial assets

Inapplicable

20. Investment Property

(1) Investment property measured based on the cost method

In CNY

Items	Housing & buildings	Land use right	Construction-in-progress	Total
I. Original book value				
Opening balance	610,886,415.67			610,886,415.67
Amount increased in the reporting period				
(1) Purchased				
(2) Inventories\fixed assets/construction-in-progress transferred in				
(3) Increase of enterprise consolidation				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	610,886,415.67			610,886,415.67
II. Accumulative depreciation and accumulative amortization				
Opening balance	227,460,499.32			227,460,499.32
2. Amount increased in the reporting period	7,718,268.72			7,718,268.72
(1) Provision or amortization	7,718,268.72			7,718,268.72
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	235,178,768.04			235,178,768.04
III. Provision for impairment				
1. Opening balance				
2. Amount increased 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	375,707,647.63			375,707,647.63
2.Book value at the	383,425,916.35			383,425,916.35

beginning of the reporting period				
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(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 asset	340,122,918.20	349,495,316.65
Total	340,122,918.20	349,495,316.65

(1) About fixed assets

In CNY

Items	Plant & buildings	Machinery & equipment	Motor vehicle	Electronic equipment	Others	Total
I. Original book value						
1. Opening balance	408,187,709.06	107,468,100.86	14,780,510.38	46,317,448.53	46,887,269.94	623,641,038.77
2. Amount increased in the reporting period	118,161.68	1,855,411.01		1,078,086.78	580,646.30	3,632,305.77
(1) Purchase	550.00	1,806,833.02		1,077,578.59	580,646.30	3,465,607.91
(2) Construction-in-process transferred in						
(3) Increase of business combination						
(4) Change of the exchange rate	117,611.68	48,577.99		508.19		166,697.86
3. Amount decreased in the reporting period	36,450.82	322,696.37		773,422.24	1,597,503.47	2,730,072.90
(1) Disposal or scrapping		304,801.68		772,796.44	1,595,859.48	2,673,457.60
(2) Change of the exchange rate	36,450.82	17,894.69		625.80	1,643.99	56,615.30
4. Ending balance	408,269,419.92	109,000,815.50	14,780,510.38	46,622,113.07	45,870,412.77	624,543,271.64

II. Accumulative depreciation						
1. Opening balance	122,149,565.18	63,039,735.12	12,847,470.81	35,896,505.66	40,212,445.35	274,145,722.12
2. Amount increased in the reporting period	6,188,691.41	3,630,322.25	180,931.88	1,650,494.43	969,824.20	12,620,264.17
(1) Provision	6,030,493.33	3,579,918.79	180,931.88	1,650,011.65	969,824.20	12,411,179.85
(2) Change of the exchange rate	158,198.08	50,403.46		482.78		209,084.32
3. Amount decreased in the reporting period	21,068.56	243,575.86		698,604.15	1,382,384.28	2,345,632.85
(1) Disposal or scrapping		230,386.66		698,156.64	1,380,859.88	2,309,403.18
(2) Change of the exchange rate	21,068.56	13,189.20		447.51	1,524.40	36,229.68
4. Ending balance	128,317,188.03	66,426,481.52	13,028,402.69	36,848,395.94	39,799,885.27	284,420,353.44
III. Provision for impairment						
1. Opening balance						
2. Amount increased 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	279,952,231.89	42,574,333.98	1,752,107.69	9,773,717.14	6,070,527.50	340,122,918.20
2. Book value at the beginning of the reporting period	286,038,143.88	44,428,365.74	1,933,039.57	10,420,942.87	6,674,824.59	349,495,316.65

(2) About temporarily idle fixed assets

Inapplicable

(3) Fixed assets leased through operating lease

Inapplicable

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

In CNY

Items	Book value	The reason why the title certificate has not been granted
Housing & buildings	214,873.64	There existed problem in ownership

(5) Disposal of fixed assets

Inapplicable

22. Construction-in-progress

(1) About construction-in-progress

Inapplicable

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

Inapplicable

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

Inapplicable

(4) Engineering materials

Inapplicable

23. Productive biological asset

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

Inapplicable

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

Inapplicable

24. Oil and Gas Assets

Inapplicable

25. Right-to-use Assets

In CNY

Items	Housing & buildings	Total
I. Original book value		
1. Opening balance	313,578,633.64	313,578,633.64
2. Amount increased in the reporting period	37,399,385.30	37,399,385.30
Lease	37,394,626.91	37,394,626.91
Other increases	4,758.39	4,758.39
3. Amount decreased in the reporting period	11,919,488.44	11,919,488.44
Disposal	11,919,488.44	11,919,488.44
4. Ending balance	339,058,530.50	339,058,530.50
II. Accumulative depreciation		
1. Opening balance	165,646,158.22	165,646,158.22
2. Amount increased in the reporting period	57,747,319.25	57,747,319.25
(1) Provision	57,747,319.25	57,747,319.25
3. Amount decreased in the reporting period	7,606,602.97	7,606,602.97
(1) Disposal	7,401,955.53	7,401,955.53
(2) Other decreases	204,647.44	204,647.44
4. Ending balance	215,786,874.50	215,786,874.50
III. Provision for impairment		
1. Opening balance		
2. Amount increased 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	123,271,656.00	123,271,656.00
2. Book value at the beginning of the reporting period	147,932,475.42	147,932,475.42

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			30,286,420.21	15,255,625.58	80,475,868.19

2. Amount increased in the reporting period				834,137.57		834,137.57
(1) Purchase				834,137.57		834,137.57
(2) Internal R & D						
(3) Increase of business combination						
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	34,933,822.40			31,120,557.78	15,255,625.58	81,310,005.76
II. Accumulative amortization						
1. Opening balance	15,782,368.73			22,778,471.88	7,879,697.15	46,440,537.76
2. Amount increased in the reporting period	366,776.65			1,800,726.11	582,540.42	2,750,043.18
(1) Provision	366,776.65			1,800,726.11	582,540.42	2,750,043.18
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	16,149,145.38			24,579,197.99	8,462,237.57	49,190,580.94
III. Provision for impairment						
1. Opening balance						
2. Amount increased 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	18,784,677.02			6,541,359.79	6,793,388.01	32,119,424.82
2. Book value at the beginning of the reporting period	19,151,453.67			7,507,948.33	7,375,928.43	34,035,330.43

At the end of the reporting period, the intangible assets formed through the Company's internal research and development accounted for 0.00% of the balance of intangible assets.

(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	Amount increased in the reporting period	Amount amortized in the reporting period	Other decrease	Ending balance
Counter fabrication expenses	28,563,171.72	14,554,656.70	14,082,604.76	0.00	29,035,223.66
Decoration expenses	120,695,905.90	28,488,235.63	32,865,151.60	0.00	116,318,989.93
Others	14,531,255.82	908,758.29	5,105,686.83	0.00	10,334,327.28
Total	163,790,333.44	43,951,650.62	52,053,443.19	0.00	155,688,540.87

30. Deferred Income Tax Assets and Deferred Income Tax Liabilities**(1) Deferred income tax asset without offsetting**

In CNY

Items	Ending balance		Opening balance	
	Deductible provisional difference	Deferred income tax asset.	Deductible provisional difference	Deferred income tax asset.
Asset impairment reserve	142,660,453.73	30,207,730.28	148,079,831.14	31,562,627.52
Unrealized profit from the intracompany transactions	84,064,294.99	20,987,571.65	96,716,186.61	24,021,244.01
Offsetable loss	106,516,674.31	26,263,504.09	62,781,216.23	15,188,881.56
Equity incentive	18,127,165.97	4,219,722.81	17,502,152.62	4,121,326.77
Promotion expenses available for carrying-forward to the next year	10,871,480.00	2,935,951.53	11,503,471.12	2,219,622.49
Rent liabilities	125,150,138.17	31,287,534.55	147,888,578.26	36,972,144.57
Others	1,792,833.90	448,208.48	9,993,278.10	2,498,319.53

Total	489,183,041.07	116,350,223.39	494,464,714.08	116,584,166.45
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(2) Deferred income tax liabilities without offsetting

In CNY

Items	Ending balance		Opening balance	
	Provisional difference of taxes payable	Deferred income tax liability	Provisional difference of taxes payable	Deferred income tax liability
Fixed assets deducted in once-and-for-all way before taxation	24,438,453.07	3,665,767.96	24,113,302.98	3,616,995.45
29. Right-to-use Assets	123,181,647.91	30,795,411.98	147,881,641.51	36,970,410.38
Total	147,620,100.98	34,461,179.94	171,994,944.49	40,587,405.83

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

In CNY

Items	Amount mutually offset between the deferred income tax assets and liabilities at the end of the reporting period	Ending balance of the deferred income tax asset or liabilities after offsetting	Amount mutually offset between the deferred income tax assets and liabilities at the beginning of the reporting period	Opening balance of the deferred income tax asset or liabilities after offsetting
Deferred income tax asset.	29,552,036.15	86,798,187.24	35,350,891.80	81,233,274.65
Deferred income tax liability	29,552,036.15	4,909,143.79	35,350,891.80	5,236,514.03

(4) Statement of deferred income tax asset not recognized

In CNY

Items	Ending balance	Opening balance
Offsetable loss	52,429,164.08	54,139,145.45
Provision for impairment of assets	15,923,669.81	15,218,179.77
Total	68,352,833.89	69,357,325.22

(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 year beginning	Remarks
2021	0.00	0.00	
2022	0.00	0.00	
2023	0.00	149,750.18	
2024	10,124,068.03	11,684,299.22	
2025	18,449,678.50	18,449,678.50	
2026	23,855,417.55	23,855,417.55	
Total	52,429,164.08	54,139,145.45	

31. Other non-current assets

In CNY

Items	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment for long term assets	42,617,285.90	0.00	42,617,285.90	42,680,753.78	0.00	42,680,753.78
Total	42,617,285.90	0.00	42,617,285.90	42,680,753.78	0.00	42,680,753.78

32. Short term borrowings

(1) Classification of short-term borrowings

In CNY

Items	Ending balance	Opening balance
Secured loan	12,178,305.45	15,737,928.76
Credit loan	440,000,000.00	250,000,000.00
Undue interest payable	415,555.56	256,666.67
Total	452,593,861.01	265,994,595.43

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

Inapplicable

33. Transactional financial liabilities

Inapplicable

34. Derivative financial liabilities

Inapplicable

35. Notes payable

In CNY

Category	Ending balance	Opening balance
Commercial acceptance bills	582,928.10	21,223.10
Total	582,928.10	21,223.10

The total amount of due but outstanding notes payable at the end of the reporting period is CNY 0.00.

36. Accounts payable

(1) Presentation of accounts payable

In CNY

Items	Ending balance	Opening balance
Payment for goods	175,600,153.08	232,841,934.81
Payment for materials	22,612,850.20	20,513,993.11
Engineering payment payable	1,181,651.95	1,232,967.42
Total	199,394,655.23	254,588,895.34

(2) Significant accounts payable with age exceeding 1 year

Inapplicable

37. Advance receipt

(1) Statement of advances from customers

In CNY

Items	Ending balance	Opening balance
Rent received in advance	7,011,421.98	11,025,664.72
Total	7,011,421.98	11,025,664.72

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

Inapplicable

38. Contract liabilities

In CNY

Items	Ending balance	Opening balance
Payment for goods	22,785,751.84	22,505,426.65
Total	22,785,751.84	22,505,426.65

The amount involved in the significant change of the book value and the cause during the reporting period

Inapplicable

39. Payroll payable to the employees

(1) Presentation of payroll payable to the employees

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
I. Short term remuneration	134,696,286.49	308,998,487.47	340,364,871.41	103,329,902.55
II. Post-employment benefit program - defined contribution plan.	9,463,874.19	25,913,498.96	23,163,574.14	12,213,799.01
III. Dismissal benefit	1,775,989.38	2,286,057.29	3,111,996.50	950,050.17
Total	145,936,150.06	337,198,043.72	366,640,442.05	116,493,751.73

(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	133,818,692.76	277,258,207.61	308,464,975.29	102,611,925.08
2. Staff's welfare	708.80	5,614,697.05	5,612,905.85	2,500.00
3. Social security premium	20,620.66	11,965,465.70	11,948,966.40	37,119.96
Including: medical insurance premium	20,620.66	11,187,569.76	11,171,364.60	36,825.82
Work injury insurance		403,974.05	403,679.91	294.14
Maternity Insurance		373,921.89	373,921.89	
4. Housing accumulation fund	27,104.00	9,935,136.47	9,938,552.47	23,688.00
5. Trade union fund and staff education fund	829,160.27	4,224,980.64	4,399,471.40	654,669.51
Total	134,696,286.49	308,998,487.47	340,364,871.41	103,329,902.55

(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	226,815.55	21,911,076.39	21,940,885.43	197,006.51
2. Unemployment insurance premium		624,795.71	623,900.59	895.12
3. Contribution to the enterprise annuity scheme	9,237,058.64	3,377,626.86	598,788.12	12,015,897.38
Total	9,463,874.19	25,913,498.96	23,163,574.14	12,213,799.01

40. Taxes payable

In CNY

Items	Ending balance	Opening balance
Value-added tax	46,261,358.11	46,711,341.16
Enterprise income tax	15,812,596.69	15,663,227.68
Individual income tax	892,279.50	1,568,912.16
Urban maintenance and construction tax	580,674.96	1,624,353.62
Education Surcharge	335,024.69	1,161,292.58
Others	3,256,596.89	1,040,752.81
Total	67,138,530.84	67,769,880.01

41. Other payables

In CNY

Items	Ending balance	Opening balance
Dividends payable	6,324,013.97	5,015,026.30
41. Other payables	159,529,884.77	162,793,733.65
Total	165,853,898.74	167,808,759.95

(1) Interest payable

Inapplicable

(2) Dividend payable

In CNY

Items	Ending balance	Opening balance
Dividends of common shares	6,324,013.97	5,015,026.30
Total	6,324,013.97	5,015,026.30

Other notes, including that if significant dividends payable have not been paid for more than 1 year, it is necessary to disclose the reasons for non-payment:

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	32,710,186.12	33,536,237.44
Fund for shop-front activities	29,795,358.41	19,208,694.86
Refurbishment	8,492,347.70	10,201,524.91
Obligation of repurchase of restricted shares	50,759,806.16	60,585,678.92
Others	37,772,186.38	39,261,597.52
Total	159,529,884.77	162,793,733.65

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

In CNY

Items	Ending balance	Cause of failure in repayment or carry-over
Deposit for property rent	10,503,250.06	Settlement not due yet
Total	10,503,250.06	

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	3,660,090.00	3,924,900.00
Long-term rent liabilities due within one year	73,996,168.23	83,025,006.35
Total	77,656,258.23	86,949,906.35

44. Other current liabilities

In CNY

Items	Ending balance	Opening balance
Pending output VAT	2,623,083.96	2,798,738.32
Total	2,623,083.96	2,798,738.32

Increase/decrease of the short term bonds payable:

Inapplicable

45. Long-term Loan

(1) Classification of Long-term Borrowings

In CNY

Items	Ending balance	Opening balance
Pledge loan	3,660,090.00	3,924,900.00
Less: Long-term borrowings due within 1 year	-3,660,090.00	-3,924,900.00

Notes to classification of long term borrowings:

As of June 30, 2022, the book value of the fixed assets of the Company used for loan collateral was CNY 10,889,815.89.

Other notes, including the interest rate interval: the interest rate for the borrowings was 3%.

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. Rent liabilities

In CNY

Items	Ending balance	Opening balance
Within 1 year	66,427,767.95	87,412,539.35
1-2 years	44,983,744.95	45,978,062.22
2-3 years	14,188,991.93	13,813,526.70
Over 3 years	5,281,039.63	7,720,317.07
Less: Unrecognized financing expenses	-5,645,239.55	-6,980,716.89
Long-term rent liabilities due within one year	-73,996,168.23	-83,025,006.35
Total	51,240,136.68	64,918,722.10

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

Inapplicable

(2) Special accounts payable

Inapplicable

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

Inapplicable

(2) Change of defined benefit plans

Inapplicable

50. Projected 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
Asset-related government subsidies	1,792,833.90	0.00	0.00	1,792,833.90	For the detail, refer to the following table

Income-related government subsidies	0.00	250,000.00	0.00	250,000.00	For the detail, refer to the following table
Total	1,792,833.90	250,000.00	0.00	2,042,833.90	

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	390,123.15						390,123.15	Related with assets
Funding project for construction of enterprise technology center designated by the state	631,980.39						631,980.39	Related with assets
Special purpose fund for the Industry and Informationization at Provincial Level	770,730.36						770,730.36	Related with assets
The fifth batch of key technology research projects assigned by the State Commission of Science and Technology	0.00	250,000.00					250,000.00	Related with income

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	426,051,015.00	0.00	0.00	0.00	0.00	0.00	426,051,015.00

54. Other equity instruments

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

Inapplicable

(2) Movement of the outstanding 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)	1,010,108,533.81	4,231,031.40	15,043.17	1,014,324,522.04
Other capital reserve	30,799,660.32	5,611,740.66	4,231,031.40	32,180,369.58
Total	1,040,908,194.13	9,842,772.06	4,246,074.57	1,046,504,891.62

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

(1) During the reporting period, the services of the incentive objects obtained by the Company were included in the relevant costs or expenses and the capital reserve increased by CNY 4,629,604.79 accordingly.

(2) The 4th session of the Tenth Board of Directors held on December 28, 2021 reviewed and approved the Proposal on the Release Conditions having been Satisfied for the Second Release Period of 2018 Restricted A-Share Incentive Scheme (Phase I). Differences, caused by fair value different when unlock the restricted shares, between CIT deducted amount and cost or expenses recognized in vesting period increased the capital reserve by CNY 982,135.87. Meanwhile, the reclassification of capital reserves was adjusted for the unlocked part, other capital reserves decreased by CNY 4,231,031.40, and capital premium increased by CNY 4,231,031.40.

(3) The 2nd session of the Tenth Board of Directors held on October 25, 2021 and 2021 5th Extraordinary General Meeting held on November 30, 2021, reviewed and approved the "Proposal for the Repurchase of Partial Domestically Listed Foreign Shares in the Company (B-shares)". in the first half year of 2022, the Company repurchased its own shares through a centralized bidding method with the special account for the securities repurchased at expense equivalent to CNY 15,043.17 which has written off capital reserve amounting to CNY 15,043.17.

56. Treasury shares

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Decrease of the repurchase of the registered capital	0.00	50,252,831.88	0.00	50,252,831.88
Payment for restricted shares	60,585,678.92	0.00	6,996,855.96	53,588,822.96
Total	60,585,678.92	50,252,831.88	6,996,855.96	103,841,654.84

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

(1) During the reporting period, the Company repurchased accumulatively 7,987,217 shares of the Company's B-shares through a centralized bidding method and paid HKD 61,438,781.55 (with trading cost exclusive) which was equivalent to CNY 50,252,831.88, equal to CNY 50,252,831.88 after conversion. As a result, the treasury stock increased by CNY 50,252,831.88.

(2) As stated on Note VII.55(2), based on the authorization of the General Meeting, the Board of Directors lifted restriction for 114 incentive individuals. The corresponding shares may be traded on February 7, 2022, of which the cash dividend decreased treasury shares by CNY4,468,408.56.

(3) The Company's 2021 equity distribution plan was reviewed and approved at the 2021 annual general meeting held on May 13, 2022, and the cash dividends corresponding to the remaining restricted shares were reduced by CNY 2,528,447.40 for treasury shares.

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 previous period was transferred to the profit and loss of the reporting period.	Less: the amount counted to the other comprehensive income during the previous period was transferred to the retained earnings of the reporting period.	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income	0.00	0.00				0.00	0.00	

which cannot be re-classified into profit and loss								
Where: Change of the beneficial plan remeasured for setting	0.00	0.00				0.00		0.00
Other comprehensive income which can be converted into profit and loss based on the equity method	0.00	0.00				0.00		0.00
Movement of the fair value of the investment in other equity instruments	0.00	0.00				0.00		0.00
Movement of the fair value of the Company's own credit risk	0.00	0.00				0.00		0.00
II. Other comprehensive income which shall be re-classified into profit and loss	-7,658,346.40	424,855.72				424,855.72		-7,233,490.68
Conversion difference in foreign currency statements	-7,658,346.40	424,855.72				424,855.72		-7,233,490.68
Total other comprehensive income	-7,658,346.40	424,855.72				424,855.72		-7,233,490.68

58. Special reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Safety production costs	1,062,731.13	600,000.00	108,753.56	1,553,977.57
Total	1,062,731.13	600,000.00	108,753.56	1,553,977.57

59. Surplus Reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Statutory surplus reserve	213,025,507.50	0.00	0.00	213,025,507.50
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Total	275,010,401.50	0.00	0.00	275,010,401.50

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

According to the Company Law and the Articles of Association, the Company provided statutory surplus reserve based on 10% of the net profit. When the accumulative amount of the statutory surplus reserve exceeds 50% of the Company's registered capital, no such reserve shall be provided any longer.

After provision of the statutory surplus reserve, the Company may provide free surplus reserve. With authorization, the free surplus reserve may be used to make up for the deficits of previous years or increase capital stock.

60. Retained earnings

In CNY

Items	Reporting period	Previous period
Retained earnings at the end of the previous period before the adjustment	1,338,444,326.09	1,164,490,911.51
Total retained earnings under adjustment at the beginning of the reporting year (adjustment up +, adjustment down -)		-11,188,268.01
After adjustment: Retained earnings at the beginning of the reporting period	1,338,444,326.09	1,153,302,643.50
Plus: Net profit attributable to the parent company's owner in the report period	140,692,784.29	387,840,282.95
Less: Provision of statutory surplus public reserve		28,478,534.63
Dividends of common shares payable	125,419,139.40	174,220,065.73
Retained earnings at the end of the reporting period	1,353,717,970.98	1,338,444,326.09

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 common 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.

61. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	2,176,850,503.24	1,373,173,952.09	2,770,803,774.51	1,736,967,152.08
Other businesses	6,720,245.87	490,608.32	6,715,746.83	1,182,329.62
Total	2,183,570,749.11	1,373,664,560.41	2,777,519,521.34	1,738,149,481.70

62. Business Taxes and Surcharges

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	1,080,093.60	726,813.41
Urban maintenance and construction tax	4,471,185.46	5,877,927.84
Education Surcharge	3,176,217.12	4,121,272.93
Real estate tax	3,617,599.55	3,567,272.30
Land use tax	202,038.96	197,939.71
Tax on using vehicle and boat	2,880.00	2,520.00
Stamp duty	1,271,846.47	1,641,839.17
Others	379,332.17	320,376.10
Total	14,201,193.33	16,455,961.46

63. Sales expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Payroll to Employees	207,143,891.55	213,043,074.52
Shopping mall and rental fees	76,494,295.56	129,400,920.28
Advertising, exhibition and market promotion fee	57,874,652.62	91,568,222.91
Depreciation and amortization	107,506,179.52	92,926,914.28
Packing expenses	4,439,070.05	4,481,736.64
Water & power supply and property management fee	11,198,105.55	10,882,939.50
Freight	2,865,405.58	4,242,070.29
Office expenses	2,712,847.35	3,919,959.69
Business travel expenses	2,022,337.58	3,520,062.70
Business entertainment	1,346,935.04	1,950,807.85
Others	4,202,320.36	5,693,343.97
Total	477,806,040.76	561,630,052.63

64. Administrative expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
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Payroll to Employees	90,844,037.52	90,780,253.80
Depreciation and amortization	11,956,926.63	12,421,579.17
Business travel expenses	610,091.19	1,799,515.00
Office expenses	2,112,092.81	1,767,686.85
Service fee to intermediary agencies	1,632,375.61	1,662,615.14
Water, electricity, property and rent	1,529,714.92	3,315,987.84
Business entertainment	288,878.74	616,327.45
Trucks and freight	631,799.40	776,804.47
Communication fee	376,723.40	431,608.09
Others	6,733,024.47	7,819,288.04
Total	116,715,664.69	121,391,665.85

65. R & D expenditures

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Payroll to employees	19,230,230.93	18,674,577.25
Sample and material charges	797,464.23	728,873.08
Cost of moulds	98,716.00	296,524.07
Depreciation and amortization	2,501,878.19	3,117,098.99
Technical cooperation fee	-136,897.08	657,671.10
Others	2,535,321.58	2,895,320.19
Total	25,026,713.85	26,370,064.68

66. Financial expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	9,731,247.68	14,778,321.69
Less: capitalized interest		
Less: Interest income	1,981,825.39	2,153,626.51
Exchange gain & loss	-1,648,258.56	-9,312.50
Service charges and miscellaneous	5,776,243.25	8,161,891.03
Total	11,877,406.98	20,777,273.71

67. Other income

In CNY

Source of arising of other income	Amount incurred in the reporting period	Amount incurred in the previous period
Government subsidies	13,369,782.95	11,662,934.28

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	2,462,626.52	1,629,328.24
Total	2,462,626.52	1,629,328.24

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	174,478.00	-173,755.96
Loss from bad debt of notes receivable	463,943.28	-484,421.80
Loss from bad debt of accounts receivable	-636,572.43	-1,377,059.19
Total	1,848.85	-2,035,236.95

72. Loss from impairment of assets

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Loss from impairment of assets	0.00	0.00
II. Loss from price falling of inventory and loss from impairment of contract performance costs	-348,218.69	-1,226,362.68
Total	-348,218.69	-1,226,362.68

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 or loss from disposal of fixed assets	-14,180.88	-73,807.46
Profit or loss from disposal of right-to-use assets	-801,840.28	0.00

74. Non-operating income

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
Compensation	146,132.71	3,475.00	146,132.71
Disposal of account payable impossible to be paid	0.40	124,191.89	0.40
Others	62,454.77	144,301.38	62,454.77
Total	208,587.88	271,968.27	208,587.88

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	100,000.00	0.00
Fine and overdue fine	15,080.06	0.00	15,080.06
default fine	693,689.72	0.00	693,689.72
Others	117,127.58	759,659.12	117,127.58
Total	825,897.36	859,659.12	825,897.36

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 expenses in the reporting period	43,213,735.62	61,394,301.15
Deferred income tax expense	-5,574,641.83	7,155,100.91
Total	37,639,093.79	68,549,402.06

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

In CNY

Items	Amount incurred in the reporting period
Total profit	178,331,878.08
Income tax expense calculated based on the statutory/ applicable tax rate	44,582,969.52
Influence of different tax rates applicable to subsidiaries	-4,809,328.68
Influence of the non-taxable income	-615,656.63
Influence of the non-offsetable costs, expenses and loss	1,678,343.82
The effect of using deductible losses of deferred income tax assets that have not been recognized in the previous period	-484,703.66
Influence from the addition of the R & D expenses upon deduction of tax payment (to be stated with "-")	-2,712,530.58
76. Income tax expense	37,639,093.79

77. Other comprehensive income

For the detail, refer to Note VII. 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
-------	---	--

Collateral and deposit	6,532,789.76	5,023,790.54
Government subsidies	13,193,456.48	10,827,370.77
Commodity promotion fee	4,611,388.01	6,760,506.27
Interest income	1,985,621.79	2,125,691.94
Reserve	2,740,310.90	2,279,469.79
Others	8,516,510.57	11,749,975.61
Total	37,580,077.51	38,766,804.92

(2) Other operation activities related cash payments

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Collateral and deposit	7,419,015.67	13,205,523.62
Reserve	5,082,764.84	10,265,576.39
Duration Expenses	138,375,768.78	220,464,795.10
Others	4,512,408.32	143,644.97
Total	155,389,957.61	244,079,540.08

(3) Other operation activities related cash receipts

Inapplicable

(4) Other operation activities related cash payment

Inapplicable

(5) Other financing activities related cash receipts

Inapplicable

(6) Other financing activities related cash payment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Rent cash flow out	63,385,293.68	47,957,294.77
Payment for repurchase of shares	53,318,818.77	6,106,577.91
Total	116,704,112.45	54,063,872.68

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 Adjustment of net profit into cash flows of operating activities:		
Net profit	140,692,784.29	233,564,783.83
Plus: Provision for impairment of assets	346,369.84	3,261,599.63

Depreciation of fixed assets, depletion of oil and gas asset, depreciation of productive biological asset	20,129,448.57	21,116,190.64
Depreciation of use right assets	57,747,319.25	48,686,092.09
Amortization of intangible assets	2,750,043.18	3,442,875.49
Amortization of long term expenses to be apportioned	52,053,443.19	46,436,064.35
Loss (income is stated in "-") from disposal of fixed assets, intangible assets and other long term assets	816,021.16	73,807.46
Loss on scrapping of fixed assets (profit is stated with "-")		
Loss from change of fair value (profit is stated with "-")		
Financial expenses (income is stated with "-")	8,082,989.12	14,769,009.19
Investment loss (income is stated with "-")	-2,462,626.52	-1,629,328.24
Decrease of the deferred income tax asset (increase is stated with "-")	-5,564,912.60	6,385,102.30
Increase of deferred income tax liability (decrease is stated with "-")	-327,370.24	769,998.61
Decrease of inventories (Increase is stated with "-")	74,801,604.17	-83,529,356.74
Decrease of operative items receivable (Increase is stated with "-")	-23,794,469.22	-31,249,035.35
Increase of operative items payable (Decrease is stated with "-")	-46,884,380.59	-56,943,239.33
Others		
Net cash flows arising from operating activities	278,386,263.60	205,154,563.93
2 Significant investment and fund-raising activities with no cash income and expenses involved:		
Capital converted from liabilities		
Convertible company bonds due within a year		
Fixed assets under financing lease		
3 Net change in cash and cash equivalents:		
Ending cash balance	393,873,930.55	234,840,156.69
Less: Opening balance of cash	210,254,737.14	353,057,285.71
Plus: Ending balance of cash equivalent		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalents	183,619,193.41	-118,217,129.02

(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	393,873,930.55	210,254,737.14
Including: Cash in stock	175,028.83	108,612.08
Bank deposit available for payment at any time	392,393,331.66	188,908,798.10
Other monetary fund used for payment at any time	1,305,570.06	21,237,326.96
II. Cash equivalents		
Including: Bond investment due within three months		
III. Ending balance of cash and cash equivalents	393,873,930.55	210,254,737.14
Including: cash and cash equivalents restricted for use from the parent company or other subsidiaries of the Group	4,702,798.19	1,724,651.93

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

Inapplicable

81. Assets restricted in ownership or use right

In CNY

Items	Book value at the end of the reporting period	Cause of restriction
Notes receivable	12,178,305.45	Notes discounted
24. Fixed asset	10,889,815.89	Bank mortgage
Total	23,068,121.34	

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 capital			
Including: USD	3,083,565.75	6.7114	20,695,043.17
Euro	372,721.34	7.0084	2,612,180.24
HKD	930,062.14	0.8552	795,379.84

SF	661,407.08	7.0299	4,649,625.63
Accounts receivable			
Including: USD	770,328.27	6.7114	5,169,981.15
Euro	61,459.30	7.0084	430,731.36
HKD	1,058,093.59	0.8552	904,871.06
SF	10,858.62	7.0299	76,335.05
Long-term Loan			
Including: USD			
Euro			
HKD			
Accounts payable			
Including: USD	1,019.00	6.7114	6,838.92
HKD	1,576,987.13	0.8552	1,348,623.62
SF	131,940.99	7.0299	927,531.99
Other receivables			
Including: HKD	116,645.42	0.8552	99,754.00
Other payables			
Including: USD	5,759.05	6.7114	38,651.29
Euro	3,043.21	7.0084	21,328.03
HKD	14,507.16	0.8552	12,406.38
SF	37,070.78	7.0299	260,603.85
Non-current liabilities due within a year			
Where: SF	520,646.10	7.0299	3,660,090.00

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

For the principal business place, function currency for bookkeeping for key oversease business entities, refer to Note V.4.

83. Hedging

Inapplicable

84. Government subsidies

(1) Basic information of government subsidies

In CNY

Category	Amount	Items presented	Amount counted to the current profit and loss
Subsidy for stabilizing employment	282,569.53	Other income	282,569.53
Project subsidy to technology support institutions for standardization with the special fund in the field of standards in Shenzhen	490,347.00	Other income	490,347.00
The 2nd batch of subsidies for the industrial design development support program	270,000.00	Other income	270,000.00
Refund of the service charge for individual	724,853.24	Other income	724,853.24

income tax			
Subsidy for the registered trade marks	1,000.00	Other income	1,000.00
Social security allowance	154,548.92	Other income	154,548.92
Others	16,617.26	Other income	16,617.26
Award for the growth of retail sales (turnover) from Commerce Bureau of Shenzhen Municipality	5,000,000.00	Other income	5,000,000.00
Financial support for the steady growth of commerce from Nanshan District Bureau of Industry and Information, Shenzhen	1,709,700.00	Other income	1,709,700.00
Financial support for the commercial circulation from Nanshan District Bureau of Industry and Information, Shenzhen	1,150,000.00	Other income	1,150,000.00
Financial support for the COVID-19 control from Nanshan District Bureau of Industry and Information, Shenzhen	500,000.00	Other income	500,000.00
Government subsidy as the financial support for steady growth of commerce	1,210,800.00	Other income	1,210,800.00
Subsidy as financial support to the improvement of the business outlay allocation in the commercial circulation industry	150,000.00	Other income	150,000.00
Government subsidy for industrialization and informationization in Nanshan District	100,000.00	Other income	100,000.00
Subsidy for employee training	285,500.00	Other income	285,500.00
Rent subsidy for small and micro enterprises during the COVID-19 Epidemic from Yuehai Neighborhood of Nanshan District	10,000.00	Other income	10,000.00
Financial support for the cultivation of the high and new technology division	500,000.00	Other income	500,000.00
Special government subsidy for the technological breakthrough activities	1,000,000.00	Other income	1,000,000.00
Allowance from the standards field of Shenzhen	60,347.00	Other income	60,347.00
Financial support for hi-tech enterprise cultivation from the high and new technology division of the science and technology innovation commission	200,000.00	Other income	200,000.00
Subsidy for the fifth batch of key technology research projects assigned by the State Commission of Science and Technology	250,000.00	Deferred income	
Subsidy for stabilizing enterprises from the Bureau of Industrialization and Informationization of Nanshan District	50,000.00	Other income	50,000.00

(2) Refunding of the government subsidies

In CNY

Items	Amount	Cause
Partial fund of the award of the economic contribution by head offices refunded from the National Development and Reform Commission of Shenzhen Municipality	496,500.00	Excessive allocation

85. Others

Inapplicable

VIII. Change in consolidation scope

1. Business combination involving entities not under common control

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

Inapplicable

(2) Consolidation cost and goodwill

Inapplicable

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

Inapplicable

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

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 note

Inapplicable

2. Business combination involving entities under common control

(1) Consolidation of enterprises under common 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

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	
Shenzhen Harmony World Watches Center Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Shenzhen FIYTA Precision Technology Co., Ltd.	Shenzhen	Shenzhen	Manufacture	99.00%	1.00%	Establishment or investment
FIYTA (Hong Kong) Limited	Hong Kong	Hong Kong	Commerce	100.00%		Establishment or investment
Shenzhen Harmony E-Commerce Limited	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Shenzhen FIYTA Technology Development	Shenzhen	Shenzhen	Manufacture	100.00%		Establishment or investment

Co., Ltd.						
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Emile Chouriet (Shenzhen) Limited	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
FIYTA Sales Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Shenyang	Shenyang	Commerce	100.00%		Consolidation of enterprises under the common control
Montres Chouriet SA	Switzerland	Switzerland	Manufacture		100.00%	Business combination involving entities not under common control
Shenzhen XUNHANG Precision Technology Co., Ltd.	Shenzhen	Shenzhen	Manufacture	100.00%		Establishment or investment
Harmony World Watches Center (Hainan) Ltd.	Sanya	Sanya	Commerce	100.00%		Establishment or investment

Note to the proportion of shareholding in a subsidiary different from the proportion of voting power:

Inapplicable

Basis of holding less than a half of the voting power but still controlling the investee and holding more than a half of the voting power but not controlling the investee:

Inapplicable

Basis of an important structured entity being brought to the consolidation scope and being controlled:

Inapplicable

Basis of distinguishing an agent from consignor:

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 Industry Co., Ltd.	Shanghai	Shanghai	Commerce	25.00%		Equity method

Note to the proportion of the shareholding in a joint venture or an associate different from voting power therein:

Inapplicable

Basis of holding below 20% voting power but having significant influence or holding more than 20% voting power but not having significant influence

Inapplicable

(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 previous period
Current assets	158,167,622.54	143,367,298.98
Non-current assets	15,374,040.32	17,537,419.20
Total assets	173,541,662.86	160,904,718.18
Current liabilities	28,750,831.63	24,124,925.22

Non-current liabilities	0.00	1,839,467.79
Total liabilities	28,750,831.63	25,964,393.01
Minority shareholders' equity		
Equity attributable to the parent company's shareholders	144,790,831.23	134,940,325.17
Share of net assets calculated according to the shareholding proportion	36,197,707.81	33,735,081.29
Adjustment events	21,420,524.02	21,420,524.02
-- Goodwill	21,420,524.02	21,420,524.02
-- Unrealized profit from the intracompany transactions		
-- Others		
Book value of the equity investment in associates	57,618,231.83	55,155,605.31
Fair value of equity investments in associates with public quotation		
Turnover	65,530,729.89	71,770,916.04
Net profit	9,850,506.06	6,517,312.97
Net profit from operation termination		
Other comprehensive income		
Total comprehensive income	9,850,506.06	6,517,312.97
Dividends received from associates during the year		

(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

IX. Risk disclosure related to financial instrument

The major financial instruments of the Company primarily include cash at bank and on hand, equity investments, borrowings, accounts receivable, accounts payables, etc. The Company is exposed to risks from various financial instruments in day-to-day operation, mainly including credit risk, liquidity risk and market risk. The risks in connection with such financial instruments and the risk management policies adopted by the Company to mitigate such risks are summarized as follows:

The Board of Directors is responsible for planning and establishing the risk management structure for the Company, developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly stipulate specific risks, covering many aspects such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Company's operating activities to determine whether to update the risk management policy and system. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee works closely with other business departments of the Company to identify, evaluate and avoid related risks. The internal audit department of the Company conducts regular audits on risk management controls and procedures, and reports the audit results to the audit committee of the Company. The Company diversifies the risks of financial instruments through appropriate diversified investment and business portfolios, and formulates corresponding risk management policies to reduce the risks concentrated in a single industry, a specific region or a specific counterparty.

1. Credit risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The management has developed proper credit policies and continuously monitors credit risk exposures.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and accounts receivable, and contract assets on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery

of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include currency funds and other receivables. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet. The Company does not provide any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the credit loss of receivables using aging. The Company's receivable and other receivables involve large amount of customers. Aging information can reflect the ability to repay and risk of bad debt of these customers. The Company determined expected loss rate by calculating historical bad debt rate for receivables with different aging based on historical data and also taking forecast of future economic condition into consideration such as GDP growth rate, state currency policy etc. For long-term receivables, the Company assesses expected credit loss reasonably by considering settlement period, contracted payment terms, debtor's financial situation and the economic situation of the debtor's industry.

As at June 30, 2022, the carrying amount of related assets and corresponding ECL is as follows:

Aging	Book balance	Provision for impairment
Notes receivable	56,457,807.54	2,602,836.41
Accounts receivable	463,429,354.03	43,793,648.08
Other receivables	63,094,122.18	4,245,960.45
Total	582,981,283.75	50,642,444.94

As the Company's customer base is large, there exists no material credit concentration risk.

As at June 30 2022, the balance of top 5 receivable accounts accounted for 33.18% of total accounts receivables (2021: 35.48%).

2. Liquidity risk

Liquidity risk refers to the risk of short of funds when the company performs its obligation of cash payment or settlement by other financial assets. The Company's subordinate member companies are responsible for their respective cash flow projections. Based on the results thereof, the subordinate financial management department continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitors the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs. Besides, the Company mainly signs financing agreements with banks that have business transactions to provide support to fulfill commercial bill obligation. As at 31 December 2021, the Company has financing facilities from several banks amounting to CNY2,299.2099 million. Amongst, CNY 605.8707 million has already been used.

As at 31 December 2021, the discounted contractual cash flows for financial liabilities and off-balance sheet guarantee that presented in maturity are as follows:

Items	Ending balance (CNY 10,000)				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Short term borrowings	45,872.90				45,872.90
35. Notes payable	58.29				58.29
Accounts payable	19,939.47				19,939.47
Other payables	16,262.65	161.13	161.61		16,585.39
Non-current liabilities due within a year	366.01				366.01
Total	82,499.32	161.13	161.61	-	82,822.05

3. Market Risks

1) Exchange rate risk

Except that the Company's subsidiary in Hong Kong uses HKD as settlement currency and sub-subsidiary in Swiss used CHF as settlement currency, the principal places of operations of the Company are located in China and the major businesses are settled in Renminbi. However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly HKD and SF) remain exposed to exchange rate risk

As at June 30 2022, the Renminbi equivalent of financial assets and financial liabilities denominated in foreign currencies are as follows:

Items	Ending balance				
	HKD	USD	EURO	SF	Total
Financial asset denominated in foreign currency:					
Monetary capital	795,379.84	20,695,043.17	2,612,180.24	4,649,625.63	28,752,228.89
Accounts receivable	904,871.06	5,169,981.15	430,731.36	76,335.05	6,581,918.61
Other receivables	99,754.00				99,754.00
Sub-total	1,800,004.90	25,865,024.33	3,042,911.60	4,725,960.68	35,433,901.50
Financial liabilities denominated in foreign currency:					
Accounts payable	1,348,623.62	6,838.92		927,531.99	2,282,994.53
Other payables	12,406.38	38,651.29	21,328.03	260,603.85	332,989.55
Non-current				3,660,090.00	3,660,090.00

liabilities due within a year					
Sub-total	1,361,030.00	45,490.20	21,328.03	4,848,225.84	6,276,074.08

Sensitivity analysis:

As at June 30, 2022, for financial assets and financial liabilities that denominated in foreign currency, if Renminbi appreciate or depreciate of 5% to foreign currency and other factors remain unchanged, the net profit will decrease or increase about CNY 1.2824 million(2021: CNY 0.485 million).

2) Interest rate risk

The interest rate risk of the Company mainly associates with bank borrowings. Floating rate financial liabilities expose the Company to cash-flow interest rate risk, while fixed rate financial liabilities expose the Company to fair-value interest rate risk. The Company determines the comparative proportion of fixed rate contracts and floating rate contracts based on the then market conditions.

The financial department of the Company continuously monitors the Company's interest rate level. Rise of interest rates may increase the cost of new interest-bearing liabilities and interest costs on the Company's outstanding interest-bearing liabilities at variable rates, and have a material adverse effect on the Company's financial results. The management may make timely adjustments based on the latest market conditions to reduce interest rate risk.

XI. Disclosure of Fair Value

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

9. Others

Inapplicable

XII. Related parties and transactions

1. Details of the parent company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company	Ratio of vote right of the parent company in the Company
AVIC IHL	Shenzhen	Investment	1,166,161,996.00	38.25%	38.25%

Note to the parent company:

AVIC IHL holds 38.25% of the Company's voting rights, and is the parent company of the Company. AVIC indirectly holds 91.14% equity in AVIC IHL, so the actual controller of the Company is AVIC.

The eventual controller of the Company is State owned assets supervision and Administration Commission of the State Council.

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

Inapplicable

4. Other related parties

Names of other related parties	Relationship between other related parties and the Company
AVIC Property Management Co., Ltd. (AVIC Property)	An associate of the actual controller
Ganzhou CATIC 9 Square Commerce Co., Ltd. (Ganzhou 9 Square)	An associate of the actual controller
AVIC City Property (Kunshan) Co., Ltd. (AVIC City Property (Kunshan))	An associate of the actual controller

Jiujiang 9 Square Commerce Management Co., Ltd. (9 Square Commerce Management)	An associate of the actual controller
Shenzhen AVIC Building Technology Co., Ltd. (AVIC Building)	An associate of the actual controller
Shenzhen AVIC Nanguang Elevator Co., Ltd. (AVIC Nanguang)	An associate of the actual controller
Shenzhen AVIC Security Service Co., Ltd. (AVIC Security Service)	An associate of the actual controller
AVIC International Holding Corporation	Controlled by the same party
Rainbow Digital Commercial Co., Ltd. (RAINBOW)	Controlled by the same party
Shennan Circuit Co., Ltd. (Shennan Circuit)	Controlled by the same party
Shenzhen AVIC Training Center (AVIC Training Center)	Controlled by the same party
Gongqingcheng CATIC Cultural Investment Co., Ltd. (Gongqingcheng CATIC Cultural Investment)	Controlled by the same party
AVIC Jonhon Optronics Technology Co., Ltd. (AVIC Optronics)	Controlled by the same party
AVIC General Aircraft Co., Ltd. (AVIC General Aircraft)	Controlled by the same party
AVIC Huadong Photoelectric Co., Ltd. (Huadong Photoelectric)	Controlled by the same party
AVIC International Simulation Technology Service Co., Ltd. (AVIC International Simulation)	Controlled by the same party
AVIC IHL (Zhuhai) Limited (AVIC IHL (Zhuhai))	Controlled by the same party
China National Aero-Technology Import & Export Corporation (CATIC)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC Securities)	Controlled by the same party
Guizhou Huayang Electric Co., Ltd. (GUIZHOU HUAYANG ELECTRIC)	Controlled by the same party

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 party	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	Water & power supply and property management fee	5,674,190.55	70,000,000.00	No	5,394,418.03
Rainbow Ltd.	Shopping mall fees/purchase of goods	2,205,812.33		No	2,662,052.00
Ganzhou 9 Square	Shopping mall fees	89,558.78		No	89,105.10
AVIC City Property (Kunshan)	Shopping mall fees	23,584.90		No	0.00
9 Square Commerce Management Co., Ltd.	Shopping mall fees	45,264.34		No	42,485.78
AVIC Training Center	Training fee	0.00		No	-2,298.55
AVIC Building Co.	Refurbishment	0.00		No	32,924.52
AVIC Nanguang	Elevator maintenance	0.00		No	122,830.20
Total		8,038,410.90		70,000,000.00	

Statement of sales of goods/supply of labor services

In CNY

Related party	Description of Related Transactions	Amount incurred in the reporting period	Amount incurred in the previous period
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Rainbow Ltd.	Products and labor services	29,104,305.23	42,139,011.64
Ganzhou 9 Square	Products and labor services	13,008.85	0.00
Shennan Circuit	Sales of materials and supply of services	228,541.46	1,356,891.42
Gongqingcheng CATIC Cultural Investment	Sales of products	192,621.21	307,621.86
AVIC Optronics	Sales of products	379,058.98	346,870.70
AVIC General Aircraft	Sales of products	554,207.98	17,699.13
Huadong Photoelectric (Shanghai)	Sales of products	21,238.94	0.00
AVIC International	Sales of products	0.00	8,610.61
AVIC International Simulation	Sales of products	0.00	60,530.97
AVIC IHL (Zhuhai)	Sales of products	0.00	10,592.92
CATIC	Sales of products	0.00	105,929.20
GUIZHOU HUAYANG ELECTRIC	Sales of products	50,353.97	0.00
Total		30,543,336.62	44,353,758.45

Note to the related transactions of purchase and sale of commodities and supply and acceptance of labor services
The above transaction volume does not contain tax amount.

(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	5,220,338.61	5,721,901.64
AVIC Securities	Housing	705,942.84	681,600.00
Rainbow Ltd.	Housing	309,104.34	548,843.48
CATIC Public Security Service Co.	Housing	453,202.26	399,724.38

The Company as lessee:

In CNY

Names of lessor	Categories of leasehold properties	Rental charges for short-term leases and leases of low-value assets for simplified processing (if applicable)		Variable rental payment not included in the measurement of the rent liability (if applicable)		Rent paid		Payment of the rental liability interest undertaken		Increased right-to-use assets	
		Amount incurred in the reporting period	Amount incurred in the previous period	Amount incurred in the reporting period	Amount incurred in the previous period	Amount incurred in the reporting period	Amount incurred in the previous period	Amount incurred in the reporting period	Amount incurred in the previous period	Amount incurred in the reporting period	Amount incurred in the previous period
Ganzhou 9 Square	Housing					475,674.30	475,674.30	7,302.99	26,254.89	-	-
AVIC City Property	Housing					75,600.00	71,999.99	3,504.11	4,670.69	-71,606.28	-65,702.28

(Kunshan)												
9 Square Commerce Managemen nt Co., Ltd.	Housing		37,267.73	167,122.58	129,495.42	123,605.52	8,636.46	8,022.15		-	124,732.08	-116,019.36

Note to the related lease

The above transaction volume does not contain tax amount.

(4) Related guarantee

Inapplicable

(5) Borrowings and lendings among related parties

In CNY

Related party	Borrowing amount	Starting date	Due date	Note
Borrowed from				
AVIC Finance	100,000,000.00	January 14, 2022	February 9, 2022	
AVIC Finance	100,000,000.00	February 18, 2022	February 25, 2022	
Lending				
Inapplicable				

(6) Assets assignment and liabilities reorganization of related parties

Inapplicable

(7) Remuneration to senior executives

Inapplicable

(8) Other related transactions

The Company's deposit balance deposited with AVIC Finance at the end of the current year amounted to CNY 348,755,831.42, of which the deposit interest received during the year amounted to CNY 284,223.67.

6. Accounts receivable from and payable to related parties

(1) Receivables

In CNY

Project name	Related party	Ending balance		Opening balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Bank deposit	AVIC Finance	348,755,831.42		147,786,041.19	
Accounts receivable	Rainbow Ltd.	2,632,134.75	159,544.92	3,958,751.41	244,056.19
	Shennan Circuit	50,277.05	2,513.85	161,653.56	8,082.68
	Ganzhou 9 Square	2,250.00	112.50	6,000.00	300.00
	AVIC Optronic	136,121.85	9,339.80	44,718.38	2,235.92
	AVIC General	626,255.00	31,312.75	1,471,466.00	73,573.30

	Aircraft				
	GUIZHOU HUAYANG ELECTRIC	39,080.00	1,954.00		
	Gongqingcheng AVIC Cultural Investment	23,174.90	1,158.75	10,536.96	303.21
	AVIC Property	751,145.22	37,557.26	0.30	
Notes receivable	Shennan Circuit			308,698.46	15,434.92
	AVIC Optronics	98,016.45		187,090.69	9,354.53
Other receivables	Rainbow Ltd.	1,072,342.17	53,617.11	1,051,020.00	52,551.00
	Ganzhou 9 Square	192,064.00	9,603.20	192,064.00	9,603.20
	AVIC City Property (Kunshan)	56,000.00	2,800.00	56,000.00	2,800.00
	Gongqingcheng AVIC Cultural Investment	5,500.00	275.00	5,500.00	275.00
	9 Square Commerce Management Co., Ltd.	50,000.00	2,500.00	50,000.00	2,500.00
	AVIC IHL	49.32	2.47	49.32	2.47

(2) Payables

In CNY

Project name	Related party	Ending book balance	Opening book balance
Accounts payable	AVIC Building Co.		41,283.89
Other payables	AVIC Property	2,405,584.31	2,307,322.31
	AVIC Securities	247,080.00	247,080.00
	AVIC Building Co.	14,808.41	31,270.67
	Rainbow Ltd.	144,651.82	198,661.82
	CATIC Public Security Service Co.	158,620.80	226,603.44
	AVIC Nanguang	13,958.43	34,430.13
	AVIC International		3,600.00
Advance from customers	AVIC Securities	123,540.00	123,540.00
	Rainbow Ltd.		16,537.50

7. Related parties' commitments

Inapplicable

8. Others

Inapplicable

XIII. Stock payment

1. General

In CNY

Total amount of various equity instruments granted by the Company	0.00
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during the reporting period	
Total amount of various equity instruments of the Company exercisable during the reporting period	1,244,421.00
Total amount of various equity instruments of the Company expired during the reporting period	0.00
The scope of the exercise price of stock options issued at the end of the reporting period and the remaining time of the contract	Inapplicable
The scope of the exercise price of other equity instruments issued at the end of the reporting period and the remaining time of the contract	2018 A-share restricted stock incentive plan (phase I): the grant price is 3.30 yuan / share (after the adjustment of equity distribution), the limited sale period is 24 months after the grant date of January 11, 2019, and the unlocking period is 36 months after the expiration of the limited sale period (on the premise of meeting the established unlocking conditions, the unlocking ratio is 33.3%, 33.3%, and 33.4% respectively). 2018 A-share restricted stock incentive plan (phase II): the grant price is 6.90 yuan / share (after the adjustment of equity distribution), the limited sale period is 24 months after the grant completion date is January 29, 2021, and the unlocking period is 36 months after the expiration of the limited sale period (on the premise that the established unlocking conditions are met, the unlocking ratio is 33.3%, 33.3%, and 33.4% respectively).

2. Stock payment for equity settlement

In CNY

Method for determining the fair value of equity instruments granted	Closing price of the Company's stock on the grant date
Basis for determining the quantity of exercisable equity instruments	Employee service period, achievement rate of performance indicators, and employee individual performance evaluation result
Cause of significant difference between the estimation of the reporting period and that of the previous period	Inapplicable
Accumulated amount of the equity-settled share-based payment counted to the capital reserve	26,747,736.51
Total expenses recognized in the equity-settled share-based payment during the reporting period	4,629,604.79

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

Lease contract that already signed or prepared to fulfill and its financial effect

Disclosure as lessee:

(1) Lease activities

The Company's lease categories are all housing and buildings, including simplified short-term lease and leases other than short-term rent where right-to-use assets and lease liabilities are recognized.

(2) Short-term rentals with simplified processing

Short-term leases are treated using simplified method. Short-term leases include lease term that is shorter than 12 month and no renew options attached, and leases that will be matured in 12 month after first adoption of CAS 21 – Lease. Short-term lease expenses charged to profit or loss was CNY2,332,300.37.

(3) Future potential cash outflows that does not included in lease liabilities

1) Variable lease payment

The lessee leased a lot of retail shops which contains variable lease payment terms in connection with sales.

Many of the Company's property lease contain variable lease payment terms in connection with sales. In most circumstances, the Company uses these terms to matches lease payment to shops that can generate more cash flows lease payment. For standalone shops, variable can reach 100% of all lease payment at most and that the scope of percentage of sales used is quite large. In some circumstances, variable payment terms include annual bottom payment and upper limit.

In the first half year of 2021, the amount of variable lease payments included in the current profit and loss was CNY 42,557,635.84.

2) Option to renew

Many lease contracts entered by the Company has option to renew. The Company has already estimated the option to renew reasonably when determining lease terms in measuring lease liabilities.

3) Option to discontinue lease

Some of the lease contract entered by the Company has option to discontinue. The Company has already estimated the option to discontinue reasonably when determining lease terms in measuring lease liabilities.

4) Residual value guarantee

The Company's lease does not involve residual value guarantee.

5) Lease that the lessee has already made commitment but not yet started

The Company does not have lease that has already made commitment but not yet started.

Disclosure as a lessor:

(1) Lease activities

The Company's leases are all properties

(2) Risk management strategy of retaining rights over lease assets

To reduce risks of lease, the Company normally asks lessee to pay rental in advance and collects 1-3 months rental as deposit.

2. Contingencies

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

Inapplicable

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

Inapplicable

3. Others

Inapplicable

XV. Events after balance sheet day

1. Significant non-adjustment events

Inapplicable

2. Profit distribution

Inapplicable

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. Annuity plan

Inapplicable

5. Discontinuing operation

Inapplicable

6. Segment information

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

Operating segments of the Company are identified on the basis of internal organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

(1) Its business activities are engaged to earn revenue and incur expenses;

(2) Its operating results are regularly reviewed by the Company's management to make decisions on resources allocation and performance assessment;

(3) Its financial conditions, operating results, cash flow and related accounting information are available to the Company.

The Company determines the reporting segment based on the operating segment, and the operating segment that meets any of the following conditions is determined as the reporting segment:

(1)The segment income of the operating segment accounts for 10.00% or more of total income of all segments;

(2)The absolute amount of profits (losses) of the segment account for 10.00% or more of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment.

(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

The Company’s business is simple. The business mainly involves manufacturing and sales of watch. The management considers the business as a whole in implementing management and assessing its performance. As a result, no segment information is disclosed in this financial statement.

(4) Other note

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 receivable disclosed by category

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including :										

Accounts receivable for which bad debt reserve has been provided based on portfolios	6,504,763.22	100.00%	325,270.07	5.00%	6,179,493.15	136,923.82	100.00%	7,043.34	5.14%	129,880.48
Including :										
Accounts receivable from other customers	6,504,763.22	100.00%	325,270.07	5.00%	6,179,493.15	136,923.82	100.00%	7,043.34	5.14%	129,880.48
Total	6,504,763.22	100.00%	325,270.07	5.00%	6,179,493.15	136,923.82	100.00%	7,043.34	5.14%	129,880.48

Bad debt reserve provided based on portfolio: Accounts receivable from other customers based on portfolio

In CNY

Description	Ending balance		
	Book balance	Provision for bad debt	Provision proportion
Accounts receivable from other customers	6,504,763.22	325,270.07	5.00%
Total	6,504,763.22	325,270.07	

Note to the basis for determining the combination:

Accounts receivable with same aging have similar credit risk characteristics

If the provision for bad debts of accounts receivable is accrued in accordance with the general expected credit loss model, please refer to the disclosure of other receivables to disclose the relevant information of the provision for bad debts:

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	6,504,125.13
1 to 2 years	638.09
Total	6,504,763.22

(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	Recovery or reversal	Written-off	Others	
Accounts	7,043.34	325,206.26	6,979.53			325,270.07

receivable with provision for expected credit loss by portfolio						
Total	7,043.34	325,206.26	6,979.53			325,270.07

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

Inapplicable

(3) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Organization name	Ending balance of the accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of the provision for bad debts
Summary of the top five accounts receivable in the ending balance	4,816,558.22	74.05%	240,827.91
Total	4,816,558.22	74.05%	

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

Inapplicable

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

Inapplicable

2. Other receivables

In CNY

Items	Ending balance	Opening balance
Other receivables	630,494,908.53	717,183,139.00
Total	630,494,908.53	717,183,139.00

(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 the fund	Ending book balance	Opening book balance
Related party in scope of consolidation	629,882,199.56	713,813,300.99
Security deposit	553,413.90	3,117,526.90
Others	126,598.97	450,895.61
Total	630,562,212.43	717,381,723.50

2) Provision for bad debts

In CNY

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in future 12 months	Expected credit loss in the whole duration (no credit impairment incurred)	Expected credit loss in the whole duration (credit impairment already incurred)	
Balance as at January 1, 2022	198,584.50			198,584.50
Balance as at January 1, 2022 in the reporting period				
Provision in the reporting period				
Reversal in the reporting period	131,280.60			131,280.60
Charge-off in the reporting period				

Written-off in the reporting period				
Other changes				
Balance as at June 30, 2022	67,303.90			67,303.90

Provision for loss - Change of the book balance with significant amount during the reporting period
Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	630,512,034.90
1 to 2 years	0.00
2 to 3 years	0.00
Over 3 years	50,177.53
3 to 4 years	10,127.53
4 to 5 years	0.00
Over 5 years	40,050.00
Total	630,562,212.43

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	Recovery or reversal	Written-off	Others	
Receivables of down payment and guarantee	193,923.85		128,205.65			65,718.20
Portfolio of other receivables	4,660.65		3,074.95			1,585.70
Total	198,584.50		131,280.60			67,303.90

Where a significant amount of the reserve for bad debt recovered or reversed during the reporting period:
Inapplicable

4) Other receivables actually written off in the reporting period

Inapplicable

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

In CNY

Organization name	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of	Ending balance of the provision for bad
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				other receivables	debts
Summary of the top five other receivables in the ending balance	Receivables for related parties in scope of consolidation	629,882,199.56	Within 1 year	99.89%	0.00
Total		629,882,199.56		99.89%	0.00

6) Accounts receivable involving government subsidy

Inapplicable

7) Other receivables derecognized due to transfer of financial assets

Inapplicable

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

Inapplicable

3. Long-term equity investments

In CNY

Items	Ending balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	1,490,325,919.5 1		1,490,325,919.5 1	1,486,912,339.7 2		1,486,912,339.7 2
Investment in associates and joint ventures	57,618,231.83		57,618,231.83	55,155,605.31		55,155,605.31
Total	1,547,944,151.3 4		1,547,944,151.3 4	1,542,067,945.0 3		1,542,067,945.0 3

(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		
Shenzhen Harmony World Watches Center Co., Ltd.	607,684,512.15				1,168,586.67	608,853,098.82	
FIYTA Sales Co., Ltd.	455,791,572.32				1,117,745.55	456,909,317.87	
Shenzhen FIYTA	101,249,207.88				616,430.95	101,865,638.83	

Precision Technology Co., Ltd.							
Shenzhen FIYTA Technology Development Co., Ltd.	50,775,222.76				224,876.11	51,000,098.87	
FIYTA (Hong Kong) Limited	137,737,520.00					137,737,520.00	
Shiyuehui Boutique (Shenzhen) Co., Ltd.	5,000,000.00					5,000,000.00	
Shenzhen Harmony E-Commerce Limited	11,684,484.39					11,684,484.39	
Liaoning Hengdarui Commerce & Trade Co., Ltd.	36,867,843.96					36,867,843.96	
Emile Chouriet (Shenzhen) Limited	80,121,976.26				285,940.51	80,407,916.77	
Total	1,486,912,339.72				3,413,579.79	1,490,325,919.51	

(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	Adjustment of other comprehensive income	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
Inapplicable											
II. Associates											
Shanghai Watch Industry Co., Ltd.	55,155,605.31			2,462,626.52						57,618,231.83	
Sub-total	55,155,605.31			2,462,626.52						57,618,231.83	
Total	55,155,605.31			2,462,626.52						57,618,231.83	

(3) Other note

Inapplicable

4. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	90,020,775.90	19,190,036.95	82,132,996.59	17,699,646.51
Other businesses	1,621,838.79		4,601,153.13	
Total	91,642,614.69	19,190,036.95	86,734,149.72	17,699,646.51

Information in connection with the revenue:

In CNY

Classification of Contracts	Segment 1	Total
Types of commodities		
Including:		
Leases	90,020,775.90	90,020,775.90
Others	1,621,838.79	1,621,838.79
Classification based on the operation regions		
Including:		
Northwest China	10,794,617.06	10,794,617.06
South China	80,847,997.63	80,847,997.63
Total	91,642,614.69	91,642,614.69

Information concerning obligation performance:

The Company's income is mainly lease income. During each period of the lease term, the current profit and loss are recognized according to the straight-line method.

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

At the end of the reporting period, the amount of revenue corresponding to the performance obligations of the contracts which have been signed, but not yet performed or not yet completed is CNY0.00.

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	2,462,626.52	1,629,328.24
Total	2,462,626.52	1,629,328.24

6. Others

Inapplicable

XVIII. Supplementary information

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

In CNY

Items	Amount	Notes
1. Gain/Loss from disposal of non-current assets	-816,021.16	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's normal business and conform with the national standard amount or quantity)	13,369,782.95	
Reversal of provision for impairment of accounts receivable that has been separately tested for impairment	2,130,784.84	
Other non-operating income and expenses with the aforesaid items exclusive	-617,309.48	
Less: Amount affected by the income tax	3,306,209.76	
Total	10,761,027.39	--

Details of other gains and losses in compliance with the definition of non-recurring gains and losses.

Inapplicable

Explanation of the non-recurring gains and losses listed in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public as recurring gains and losses

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	4.62%	0.3351	0.3351
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	4.27%	0.3090	0.3090

3. Discrepancy in accounting data between IAS and CAS

(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 & the net assets disclosed in the financial report respectively according to the IAS and the CAS

Inapplicable

(3) Note to the discrepancy in accounting data under the IAS and the CAS. 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

FIYTA Precision Technology Co., Ltd.

Board of Directors

August 20, 2022