

FIYTA Precision Technology Co., Ltd.
2021 Semi-annual Report

August, 2021

Section 1 Important Notice, Table of Contents and Definition

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

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

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

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

In this report, the Company has described in detail the existing macro-economic risks as well as operation risks. Investors are advised to refer to the contents concerning risks possibly to be confronted with by the Company and the countermeasures to be taken in Section 3 Discussion and Analysis by the Management

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

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Documents Available for Inspection

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

II. Originals of all documents and manuscripts of announcements of the Company disclosed in Securities Times and Hong Kong Commercial Daily as designated by China Securities Regulatory Commission.

Definitions

Terms to be defined	Refers to	Definition
This Company, the Company or FIYTA	Refers to	FIYTA Precision Technology Co., Ltd.
AVIC	Refers to	Aviation Industry Corporation of China, Ltd.
AVIC International	Refers to	AVIC International Holding Corporation
AVIC International Shenzhen	Refers to	AVIC International Shenzhen Co., Ltd.
AVIC IHL	Refers to	AVIC International Holding Limited
The Sales Co.	Refers to	FIYTA Sales Co., Ltd.
Harmony	Refers to	Shenzhen Harmony World Watches Center Co., Ltd.
Precision Technology Co.	Refers to	Shenzhen FIYTA Precision Technology Co., Ltd.
Science & Technology Development Co.	Refers to	Shenzhen FIYTA Technology Development Co., Ltd.
the Hong Kong Co.	Refers to	FIYTA (Hong Kong) Limited
SHIYUEHUI	Refers to	Shiyuehui Boutique (Shenzhen) Co., Ltd.
Hengdarui	Refers to	Liaoning Hengdarui Commerce & Trade Co., Ltd.
Harmony E-Commerce Limited	Refers to	Shenzhen Harmony E-Commerce Limited
Xunhang Co.	Refers to	Shenzhen XUNHANG Precision Technology Co., Ltd.
HARMONY (Hainan) Co.	Refers to	Harmony World Watches Center (Hainan) Ltd.
Shanghai Watch Industry	Refers to	Shanghai Watch Industry Co., Ltd.
Rainbow Ltd.	Refers to	Rainbow Digital Commercial Co., Ltd.
Shennan Circuit	Refers to	Shennan Circuit Co., Ltd.

Section 2 Company Profile and Financial Highlights

I. Company Profile

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

II. Liaison Persons and Communication Information

	Secretary of the Board	Securities Affairs Representative
Names	Chen Zhuo	Xiong Yaojia
Liaison Address	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	18th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
Tel.	0755-86013669	0755-86013669
Fax	0755-83348369	0755-83348369
Email	investor@fiyta.com.cn	investor@fiyta.com.cn

III. Other Information

1. Way of Communication

There is no change in the registered address, office address and post code, company website, email during the reporting period. For the detail, refer to 2020 Annual Report.

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

There is no change in the newspapers designated for disclosing the information, the Internet website

designated by China Securities Regulatory Commission for publishing the Semi-annual Report, and the place where the Company's Semi-annual Report is prepared and available for inquiry. For the detail, refer to 2020 Annual Report.

IV. Summary of Accounting/Financial Data

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

No

	Reporting period	Same period of the previous year	Year-on-year increase/decrease in the reporting period
Revenue, in CNY	2,777,519,521.34	1,581,834,715.03	75.59%
Net profit attributable to the Company's shareholders, in CNY	233,544,726.55	77,738,906.30	200.42%
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	223,796,233.42	68,669,477.45	225.90%
Net cash flows arising from operating activities, in CNY	205,154,563.93	103,645,235.27	97.94%
Basic earning per share (CNY/share)	0.5421	0.1775	205.41%
Diluted earning per share (CNY/share)	0.5421	0.1775	205.41%
Return on equity, weighted average	8.09%	2.91%	5.18%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the year over the end of the previous year
Total assets (in CNY)	4,125,415,233.24	4,018,712,700.18	2.66%
Net profit attributable to the Company's shareholders, in CNY	2,857,159,599.38	2,799,948,388.09	2.04%

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

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

Inapplicable

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

Inapplicable

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

In CNY

Items	Amount	Notes
Gain/loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets.	-73,807.46	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's business and conform with the national standard amount or quantity)	12,113,496.28	
Reversal of the impairment provision for receivables and contract assets which have been tested individually for impairment	976,332.27	
Other non-operating income and expenses other than the aforesaid items	-587,690.85	
Less: Amount affected by the income tax	2,679,837.11	
Total	9,748,493.13	--

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

Inapplicable

Section 3 Discussion and Analysis by the Management

I. Main business the Company operated during the reporting period

(I) Principal Business and Operation Model

With the establishment and development originated from aviation precision manufacturing and material technology, the Company is mainly carrying out the activities of watch brand management and luxurious watch retails. From the perspective of technical characteristics, the Company is engaged in precision technology industry.

Since its establishment, relying on the advantages in precision manufacturing technology, material technology and talents of the aviation industry, the Company has been continuously devoting itself to the building of professional watch-making capability and brand operation, has successfully built the "FIYTA" brand and established the brand a leading position in the domestic industry by virtue of the advantages in technology and quality, and has cultivated watch brands of different styles such as "Emile Chouriet", "JONAS&VERUS", "Beijing" and "JEEP" to meet the needs of market segments.

In order to grasp the opportunities in the domestic famous brand watch market and accelerate the breakthrough of its own brand, the Company began to expand the retail chain business of famous brand watches in 1997, and is committed to becoming the most outstanding comprehensive service provider of famous brand watches. The Company has always focused on strengthening the construction of brand resources and channel resources, deepening the cooperative relationship between international excellent watch brands and domestic high-end retail channels, refined operations, and digital development. While expanding the Company's revenue sources, it has also established stable base are for the development of its own brand.

Under the general background of industrial upgrading and intelligent manufacturing, the Company relies on high-end precision manufacturing technology and industrial accumulation, based on the development principle of "technology being homologous, the industry being same-rooted and value being co-directional", and extends the development of precision technology business and smart wearable

business. At present, these two businesses have begun to take shape.

(II) Development of the Industry the Company Engaged in

In recent years, with the increase in national disposable income and the expansion of middle-income group, people's yearning for a better life and demand for high-quality life have driven consumption upgrades. The domestic watch consumer market is ushering in new development opportunities.

1. Domestic economic growth promotes the overall expansion of the watch consumer market

During the "13th Five-Year Plan" period, the domestic economy continued to grow, breaking through CNY 100 trillion for the first time by 2020. China has also become the only major economy in the world that has achieved positive economic growth since the outbreak of the COVID-19. The advantages of the domestic market scale have gradually emerged, and the potential for domestic demand has been continuously released. The five-year compound growth rate of the total retail sales of domestic consumer goods reached 6.47%, of which the five-year compound growth rate of domestic watch consumption exceeded 7%, and the market scale continued to expand to around CNY 80 billion. In the first half of 2021, the domestic economy and consumption continued to grow rapidly year-on-year.

2. Domestic consumption upgrading has promoted the explosive growth of mid-to-high-end luxury watch consumption

Thanks to the continuous growth of the domestic economy, the five-year compound growth rate of per capita GDP has reached 7.6%, and exceeded US\$10,000 by 2020, accelerating the overall upgrade of the consumption structure to high-quality and intelligent, as a representative of quality consumption, the mid-to-high-end luxury watches has been growing rapidly. According to data disclosed by the Federation of the Swiss Watch Industry, the average export price of Swiss watches has increased from about CNY 5,000 to about CNY 10,000 in the past five years. In the first half of 2021, the export value of Swiss watches increased by 54.77% year-on-year, and the value of exports to Mainland China increased by 89.62% year-on-year. Mainland China is still the world's largest market for Swiss watches.

3. The rise of national tide consumption creates new opportunities for self-owned brands

Driven by China's manufacture planning policy and supply-side reforms, the quality of domestic products

has been greatly improved, cultural confidence has continued to rise, and consumers' local cultural awareness has been gradually recovered. In addition, the development of digital retail has broadened consumers' awareness of domestic brands. Batches of outstanding domestic brands have emerged rapidly. According to data released by EqualOcean Intelligence, consumers' attention to Chinese brands will increase to 70% in 2020, and high-quality, more fashionable, and more cutting-edge domestic brands are attracting more and more consumers.

(III) The Company's Market Position

The company has focused on the watch industry. After years of hard work, it has grown into the flagship enterprise of Chinese watches, and has been ranked first in China's watch industry for many consecutive years.

The Brand "FIYTA" is one of China's most well-known watch brands that have grown up under the market economy after China's reform and opening-up. The Company has adhered to the original intention of "Big Country Brand", relying on precision manufacturing technology, brand perception and deep cultivation of channels to promote continuous brand breakthroughs, and its sales scale ranks among the top in the industry. In 2017, the Brand was selected as the unique watch brand in the country in the "Made-in-China" Brand Plan by the Ministry of Commerce; FIYTA won the "China Grand Awards for Industry" in 2018, and was honorably put on the "70 Top Brands for the 70th Anniversary of the Founding of New China" List in 2019, and honorably won the "People's Ingenuity Brand Award 2019". 2020, the Company honorably won the title of "the 40 Brand Makers in the Past 40 Years of Shenzhen"; Sun Lei, the Company's chief designer, won the title of "40 Persons of Innovation and Entrepreneurship and Model Worker." In 2021, with successful launch of the "Shenzhou 12" manned spacecraft, the Company was awarded the title of "International Credit Brand" and has insisted on helping China's space exploration cause.

After more than two decades' development, Harmony World Watches has been operating brand watch retail business in more than 60 cities across the country and has nearly 220 chain stores. It has established abundant brand and channel resources and good operating ability, and its market share ranks domestically forefront in the watch retail industry.

II. Analysis on Core Competitiveness

During the reporting period, there was no significant change in the Company's core competitiveness. For the detail, refer to 2020 Annual Report.

III. Analysis on Principal Businesses

I. General

In the first half of 2021, the domestic consumer market as a whole continued the trend of gradual recovery since COVID-19, and the total retail sales of domestic social consumer goods increased significantly year-on-year. The Company seized the development opportunities in the consumer market, and on the basis of continuing to improve its capabilities and consolidating its advantages, the Company resolutely implemented the “Big Country Brand” development strategy, accelerated channel upgrades, digital construction and cultivation of new growth points, and continued to maintain rapid growth in operating performance. During the reporting period, the Company achieved operating income of CNY 2,777,519,521.34, an increase of 55.6% over the same period of 2019 and an increase of 75.59% over the same period of last year. Among them, the operating income of the second quarter was a relatively high level in the same period of last year and achieved a year-on-year increase of 41.76%, a month-on-month increase. The quarter also increased slightly; the total profit achieved was CNY 302,114,185.89, an increase of 229.65% over the same period last year. At the same time, the Company continued to consolidate basic management, and the efficiency and efficiency indicators continued to improve. The return on net assets reached 8.09%, an increase of 5.18 percentage points year-on-year; the inventory turnover rate reached 0.84 times, an increase of 0.32 times year-on-year.

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

(I) Promoting the epidemic prevention and control work steadily, and having achieve “zero suspicion and zero diagnosed case” throughout the year

In the first half year of 2021, the epidemic recurred in some regions in China. The Company's management team continued to follow the overall deployment of the Party Central Committee and superiors, strictly implemented the epidemic prevention and control policy, implemented responsibilities

at all levels, and continued to maintain the “zero suspicion and zero diagnosed case” prevention and control results. Ensure the health of employees and the stable development of business operations.

(II) Continue to improve professional capabilities and further consolidate core competitive advantages

During the reporting period, the Company implemented the “big country brand” development strategy, focused on “brand power, product power, and channel power” to enhance professional operating capabilities and consolidate core competitive advantages. The FIYTA brand solidly promotes the integration of product and sales, and implements precision marketing through multiple channels; focuses on the core series and promotes the development of new products in an orderly manner. The new products of “AEROSPACE”, “ALLURE”, “EXTREME” and “HEARTSTRING”, etc. have been successfully launched in the market; deepen implementation of the special work of promoting “Excellent Operation” and “Excellent Sales”, the average customer unit price of offline channels increased by 14.3% year-on-year, and the gross profit margin continued to increase. HARMONY continued to deepen refined operations centered on customer unit prices, sales discounts and service enhancements. The average unit output increased by 71.30% year-on-year, and the growth rate of core brand revenue exceeded the overall average growth rate.

(III) Continue to promote channel optimization and upgrade, and actively seize new market opportunities

During the reporting period, the Company continued to promote channel optimization and upgrade, and actively seize new market opportunities. The FIYTA Brand continued to promote the presence of shopping mall stores and made positive progress. HARMONY continued to promote the upgrading of channels and brand structure, with mid-to-high-end channels accounting for more than 50%, and it confirmed the cooperation with the first store of Richemont's high-end collection store - TIME Vallee. At the same time, on the basis of in-depth cooperation between its own brand and tax-free channels, the Company continued to promote the layout of the Hainan offshore islands' duty-free market, and established a wholly-owned subsidiary in Hainan.

(IV) Accelerating digital transformation and enhancing digital operation capabilities

During the reporting period, the Company accelerated digital transformation and continuously enhanced digital operation capabilities. The FIYTA Brand continued to promote the improvement of CRM system functions, the number of offline channel members and the proportion of sales have rapidly increased, and the effectiveness of member operations has gradually emerged. HARMONY has accelerated the iterative upgrade of its digital retail system. The amount of potential customers and repurchase of regular customers increased by 10% compared with the whole year of last year. Operational capabilities and customer experience continued to improve.

(V) Insisting on innovation-drive and accelerating the cultivation and development of new businesses

During the reporting period, the Company accelerated the cultivation and development of precision technology and smart wearables businesses. On the basis of deep cultivation of optical communications and lasers, the precision technology business has accelerated the expansion of new markets and new customers in medical and aerospace, and has achieved further breakthroughs. The sales of smart wearables through the self-operated channels and leading products grew steadily, and operating income increased by 228% year-on-year.

Movements of the Key Financial Items are summarized as follows:

In CNY

	Reporting period	Same period of the previous year	Year-on-year increase/decrease	Cause of the movement
Operating revenue	2,777,519,521.34	1,581,834,715.03	75.59%	Mainly due to growth of retail business of HARMONY World Watch
Operating cost	1,738,149,481.70	977,435,676.87	77.83%	Mainly due to the increase in costs corresponding to the increase in revenue.
Sales costs	561,630,052.63	380,928,312.51	47.44%	Mainly due to the increase in labor, counter depreciation and promotion expenses related to revenue growth.
Overheads	121,391,665.85	98,240,348.73	23.57%	Inapplicable
Financial expenses	20,777,273.71	16,528,943.36	25.70%	Inapplicable

Income tax expenses	68,549,402.06	13,907,911.89	392.88%	Mainly due to the increase of total profit.
R&D input	26,370,064.68	20,704,270.76	27.37%	Inapplicable
Net cash flows arising from operating activities	205,154,563.93	103,645,235.27	97.94%	Mainly due to the increase in payment received.
Net cash flow arising from investment activities	-80,118,132.80	-53,892,827.56	-48.66%	Mainly due to the year-on-year increase in expenditures for new stores and improvement of old stores.
Net cash flows arising from financial activities	-242,539,992.12	-19,875,245.29	-1,120.31%	Mainly due to the year-on-year decrease in the amount of net borrowings and the year-on-year increase in the amount of dividends.
Net increase of cash and cash equivalents	-118,217,129.02	29,813,076.59	-496.53%	Mainly due to the year-on-year decrease in the amount of net borrowings and the year-on-year increase in the amount of dividends.
Taxes and surcharges	16,455,961.46	7,270,983.69	126.32%	Mainly due to the increase in VAT due to sales growth.
Other business activity related cash payments	244,079,540.08	165,926,224.21	47.10%	Mainly due to the increase in expenses arising from the increase in revenue.
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	80,158,290.74	53,912,380.03	48.68%	Mainly due to the increase in expenses for store refurbishment.

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

Inapplicable

Composition of Revenues

In CNY

	Reporting period		Same period of the previous year		Year-on-year increase/decrease
	Amount	Proportion in the revenue	Amount	Proportion in the revenue	

Total operating revenue	2,777,519,521.34	100%	1,581,834,715.03	100%	75.59%
Based on sectors					
Watches	2,637,347,983.49	94.95%	1,463,489,661.92	92.52%	80.21%
Precision technology business	59,305,901.13	2.14%	59,445,727.65	3.76%	-0.24%
Leases	74,149,889.89	2.67%	56,149,280.30	3.55%	32.06%
Others	6,715,746.83	0.24%	2,750,045.16	0.17%	144.20%
Based on products					
Watch brand business	541,632,277.89	19.50%	378,593,080.99	23.93%	43.06%
Watch retail and services	2,095,715,705.60	75.45%	1,084,896,580.93	68.58%	93.17%
Precision technology business	59,305,901.13	2.14%	59,445,727.65	3.76%	-0.24%
Leases	74,149,889.89	2.67%	56,149,280.30	3.55%	32.06%
Others	6,715,746.83	0.24%	2,750,045.16	0.17%	144.20%
Based on regions					
South China	1,404,978,399.03	50.58%	791,143,597.98	50.01%	77.59%
Northwest China	414,691,758.15	14.93%	244,986,597.57	15.49%	69.27%
Northeast China	138,241,583.29	4.98%	81,410,583.11	5.15%	69.81%
East China	381,212,790.12	13.72%	207,949,022.33	13.15%	83.32%
Northeast China	158,038,232.08	5.69%	81,751,729.88	5.17%	93.31%
Southwest China	280,356,758.67	10.09%	174,593,184.16	11.04%	60.58%

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

In CNY

	Turnover	Operating cost	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	Year-on-year increase/decrease of operating costs over the previous year	Year-on-year increase/decrease of gross profit rate over the previous year
Based on sectors						
Watches	2,637,347,983.49	1,668,658,537.23	36.73%	80.21%	83.35%	-1.08%
Precision technology business	59,305,901.13	50,325,177.66	15.14%	-0.24%	2.10%	-1.94%
Leases	74,149,889.89	17,983,437.19	75.75%	32.06%	1.28%	7.37%
Others	6,715,746.83	1,182,329.62	82.39%	144.20%	276.42%	-6.18%
Based on products						
Watch brand business	541,632,277.89	146,067,135.87	73.03%	43.06%	37.25%	1.14%
Watch retail and	2,095,715,705.60	1,522,591,401.36	27.35%	93.17%	89.46%	1.42%

services						
Precision technology business	59,305,901.13	50,325,177.66	15.14%	-0.24%	2.10%	-1.94%
Leases	74,149,889.89	17,983,437.19	75.75%	32.06%	1.28%	7.37%
Others	6,715,746.83	1,182,329.62	82.39%	144.20%	276.42%	-6.18%
Based on regions						
South China	1,404,978,399.03	889,860,554.75	36.66%	77.59%	86.31%	-2.96%
Northwest China	414,691,758.15	259,657,596.40	37.39%	69.27%	61.31%	3.09%
Northeast China	138,241,583.29	77,705,058.33	43.79%	69.81%	63.64%	2.12%
East China	381,212,790.12	240,148,390.50	37.00%	83.32%	88.32%	-1.67%
Northeast China	158,038,232.08	103,609,783.42	34.44%	93.31%	84.64%	3.08%
Southwest China	280,356,758.67	167,168,098.30	40.37%	60.58%	55.21%	2.06%

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

Inapplicable

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

Inapplicable

IV. Analysis on Non-Principal Businesses

Inapplicable

V. Analysis on Assets and Liabilities

1. Significant Changes in Assets Composition

In CNY

	End of the reporting period		End of the previous year		Proportion increase/decrease	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	234,840,156.69	5.69%	353,057,285.71	9.03%	-3.34%	Inapplicable
Accounts receivable	493,350,677.26	11.96%	475,598,684.88	11.16%	0.80%	Inapplicable
Contract assets	0	0.00%	0	0.00%	0.00%	Inapplicable
Inventories	2,014,209,378.86	48.82%	1,931,780,185.85	46.86%	1.96%	Inapplicable

Investment-oriented real estate	390,386,341.42	9.46%	398,086,447.78	10.42%	-0.96%	Inapplicable
Long-term equity investment	53,029,994.16	1.29%	51,400,665.92	1.27%	0.02%	Inapplicable
Fixed assets	350,973,834.39	8.51%	352,734,280.76	9.23%	-0.72%	Inapplicable
Construction-in-process	0	0.00%	0	0.00%	0.00%	Inapplicable
Use right assets	145,971,912.86	3.54%	0	0.00%	3.54%	Inapplicable
Short term loans	460,023,601.43	11.15%	542,673,278.09	17.55%	-6.40%	Inapplicable
Contract liabilities	18,658,899.34	0.45%	18,213,396.49	0.56%	-0.11%	Inapplicable
Long-term borrowings	3,702,300.00	0.09%	4,070,330.00	0.11%	-0.02%	Inapplicable
Lease liabilities	52,886,029.26	1.28%	0	0.00%	1.28%	Inapplicable

2. Major Overseas Assets

Inapplicable

3. Assets and liabilities measured based on fair value

Inapplicable

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

A property owned by Switzerland based Montres Chouriet SA with net value of CNY 210,771.28 was used as a collateral for the overseas long term loan amounting to CNY 3,702,300.00. Part of the notes receivable of the Technology Development Co. has been discounted, with a net value of CNY 6,662,928.59.

VI. Analysis of Investment Situation

1. General

Amount of investment in the reporting period (CNY)	Amount of investment in the same period of the previous year (CNY)	Amount of variation
20,000,000.00	0.00	-

Note 1: The Company's 23rd Session of the Ninth Board of Directors reviewed and approved the "Proposal on the Establishment of a Wholly Owned Subsidiary" and decided to invest in the establishment of a wholly-owned subsidiary - Shenzhen Xunhang Precision Technology Co., Ltd., with

its own capital amounting to CNY10 million. The establishment of the wholly-owned subsidiary was completed on April 7, 2021. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on April 9, 2021.

Note 2: The Company's 29th Session of the Ninth Board of Directors reviewed and approved the "Proposal on the Establishment of a Wholly Owned Subsidiary - HARMONY World Watch Center (Hainan) Limited with its own capital amounting to CNY10 million. The establishment of the wholly-owned subsidiary was completed on June 17, 2021. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on June 19, 2021.

2. Significant Equity Investment Acquired in the Reporting Period

Inapplicable

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

Inapplicable

4. Financial assets investment

(1) Portfolio investment

Inapplicable

(2) Investment in derivatives

Inapplicable

VII. Sales of Significant Assets and Equity

1. Sales of Significant Assets

Inapplicable

2. Sales of Significant Equity

Inapplicable

VIII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

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

In CNY

Company name	Company type	Principal business	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net profit
Shenzhen Harmony World Watches Center Co., Ltd.	Subsidiaries	Purchase & sale and repairing service of watches and components	600,000,000.00	2,058,016,313.92	1,073,492,359.12	2,069,494,717.08	226,173,547.26	169,041,460.58
FIYTA Sales Co., Ltd.	Subsidiary	Design, R & D and sales of watches and components & parts	450,000,000.00	554,433,797.39	401,831,615.07	317,293,177.79	9,906,637.29	6,004,046.28
Shenzhen FIYTA Precision Technology Co., Ltd.	Subsidiary	Manufacture and production of watches and components	100,000,000.00	356,495,730.93	299,036,529.27	196,651,227.06	36,798,043.04	33,302,434.89
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Production and machining of sophisticated components and parts	50,000,000.00	160,748,659.73	123,651,658.53	71,140,529.89	4,250,754.36	4,341,363.18
FIYTA (Hong Kong) Limited	Subsidiary	Trading of watches and accessories and investment	137,737,520.00	241,330,113.95	202,562,607.59	63,249,052.18	11,637,560.61	10,573,533.38
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Subsidiary	Design, R & D and sales of watches and components	5,000,000.00	51,261,306.54	-2,609,523.62	16,621,109.48	1,404,189.65	405,912.21

		& parts						
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Subsidiary	Purchase & sale of watches and components & parts	51,000,000.00	133,402,352.93	43,058,863.27	4,501,307.37	1,004,056.01	754,291.99
Shenzhen Harmony E-Commerce Limited	Subsidiary	Purchase & sale of watches and components & parts	10,000,000.00	14,336,337.85	13,265,658.63	566,027.74	48,426.29	47,215.63
Emile Chouriet (Shenzhen) Limited	Subsidiary	Design, R & D and sales of watches and components & parts	41,355,200.00	122,532,762.64	60,643,595.51	51,642,189.33	6,777,425.62	5,071,925.17

Acquisition and disposal of subsidiaries in the reporting period

Company name	Way of acquisition and disposal of subsidiaries in the reporting period	Impact upon the overall production and operation and performances
Shenzhen XUNHANG Precision Technology Co., Ltd.	Newly established	The establishment of a wholly-owned subsidiary is conducive to promoting the business expansion of smart wearables and precision technology, and will have a positive impact on the long-term development and benefit improvement of the Company.
Harmony World Watches Center (Hainan) Ltd.	Newly established	The establishment of a wholly-owned subsidiary this time is conducive to grasping the policy opportunity of the Hainan Free Trade Port and the development opportunity of the tax-free market, and will have a positive impact on the Company's long-term development and efficiency improvement.

Note to the principal mutual shareholding companies

Inapplicable

IX. Structurized Entities Controlled by the Company

Inapplicable

X. Risks Possibly to be Confronted with

(I) The watch market is severely differentiated, and the middle-grade watch brand market is

fiercely competitive

With the intensification of consumer income stratification, the trend of brand polarization is obvious, high-end and fashion watch brands are growing at a high speed, but middle-grade mass brands are still facing severe market challenges. However, with the rise of the national trend of consumer culture, new development opportunity has emerged on the track of independent brands. The Company shall focus on strengthening its core competitive advantages, accelerate the construction of a digital business operation system and driving-unit capability, and continue to enhance the competitiveness of its own brand.

(II) Evolution of high-end consumer demand and preferences, increasing pressure on offline retail channels

Change is taking place in the structure of channels in which consumers buy luxuries. The increase of online channels and offshore tax-free channels has caused impact on the offline channel sales to some degree. However, benefited by the flow-back of overseas consumption and increment of resources in the domestic market, the capacity of the domestic luxuries market has been expanded overallly and China is hopeful to become the biggest luxuries consumption market globally. The Company shall center on customers, insist on consolidating the advantage of core competitiveness, enhance customers' experience of our consumption services and improve the market share.

Section 4 Corporate Governance

I. General Meeting and Extraordinary General Meetings

1. General Meetings

Sessions	Meeting type	Proportion of attendance of the investors	Meeting date	Date of disclosure	Resolutions of the meetings
2021 1st Extraordinary General Meeting	Extraordinary General Meeting	38.17%	January 06, 2021	January 07, 2021	Announcement on the Resolution of 2021 1st Extraordinary General Meeting, 2021-002
2021 2nd Extraordinary General Meeting	Extraordinary General Meeting	40.45%	February 24, 2021	February 25, 2021	Announcement on the Resolution of 2021 2nd Extraordinary General Meeting, 2021-023
2020 Annual General Meeting	Annual General Meeting	44.48%	May 07, 2021	May 08, 2021	Announcement on the Resolution of 2020 Annual General Meeting, 2021-045

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

Inapplicable

II. Personnel Change in Directors, Supervisors and Senior Executives

Names	Office Taken	Type	Date	Cause
Zhang Xuhua	Director	Being elected	July 01, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 30th session of the Ninth Board of Directors and 2021 3rd Extraordinary General Meeting.
Zhang Xuhua	Chairman of the Board	Being elected	July 01, 2021	Appointed as the Chairman of the Board at the 31st session of the Ninth Board of Directors.
Zhang Zhibiao	Director	Being elected	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Xiao Yi	Director	Being elected	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Li Peiyin	Director	Being elected	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of

				Directors and 2021 2nd Extraordinary General Meeting.
Pan Bo	Director	Being elected	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Zheng Qiyuan	Supervisor	Being elected	February 24, 2021	Appointed as a supervisor of the Ninth Supervisory Committee at the 23rd session of the Ninth Supervisory Committee and 2021 2nd Extraordinary General Meeting.
Zheng Qiyuan	Chairman of the Supervisory Committee	Being elected	March 08, 2021	Appointed as the Chairman of the Ninth Supervisory Committee at the 24th session of the Ninth Supervisory Committee.
Cao Zhen	Supervisor	Being elected	February 24, 2021	Appointed as a supervisor of the Ninth Supervisory Committee at the 23rd session of the Ninth Supervisory Committee and 2021 2nd Extraordinary General Meeting.
Pan Bo	GM	Being appointed	January 15, 2021	Appointed as the GM at the 25th session of the Ninth Board of Directors.
Chen Zhuo	Secretary of the Board	Being appointed	January 15, 2021	Appointed as the Secretary of the Board at the 25th session of the Ninth Board of Directors.
Huang Yongfeng	Chairman of the Board	Retired	June 11, 2021	resigned as a director, Chairman of the Board, a member of the Strategy Committee and Audit Committee of the of the Ninth Board of Directors in the Company due to the job transfer. He no longer holds any position in the Company after his resignation.
Wang Mingchuan	Director	Retired	February 02, 2021	resigned as a director, a member of the Strategy Committee and Audit Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Fu Debin	Director	Retired	February 02, 2021	Resigned as a director, a member of the Nomination, Remuneration and Assessment Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Wang Bo	Director	Retired	February 02, 2021	Resigned as a director, a member of the Nomination, Remuneration and Assessment Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Chen Libin	Director	Retired	February 02, 2021	resigned as a director, a member of the Strategy Committee and Audit Committee of the of the Ninth Board of Directors due to the job transfer. He still holds other positions in the Company after his resignation.
Wang Baoying	Chairman of the Supervisory Committee	Retired	February 24, 2021	resigned as a supervisor and the chairman of the Ninth Supervisory Committee due to the job transfer. He no longer holds any position in the Company after his resignation.
Fang Jiasheng	Supervisor	Retired	February 24, 2021	resigned as a supervisor of the Ninth Supervisory Committee due to the job transfer. He still holds other positions in the

				Company after his resignation.
Chen Libin	GM	Termination	January 14, 2021	resigned as the GM of the Company. He still holds other positions in the Company after his resignation.
Pan Bo	Deputy GM and the Secretary of the Board	Termination	January 14, 2021	resigned as Deputy GM of the Company and the Secretary of the Board. He still holds other positions in the Company after his resignation.
Xu Chuangyue	Deputy GM	Termination	February 03, 2021	resigned as Deputy GM of the Company. He no longer holds any position in the Company after his resignation.

III. Profit Distribution and Conversion of Capital Reserve into Share Capital in the Reporting Period

Inapplicable

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

1. Restricted A-Share Incentive Plan 2018 (Phase I)

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

The Company held its 24th session of the Ninth Board of Directors held on December 29, 2020 and considered that the release conditions had been satisfied for the First Release Period of 2018 Restricted A-Share Incentive Plan (Phase I). The number of restricted A-share incentive shares involved in the release of restriction was totally 1,357,641 shares. This part of the restricted shares with the restriction relieved got listed for trading on February 1, 2021. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on

January 29, 2021.

The 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting decided to repurchase and cancel the 51,359 restricted A-shares which were already granted to but with the restriction not yet relieved and held by 1 retired and 1 deceased incentive objects. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on February 5, 2021 and February 25, 2021.

The 28th session of the Ninth Board of Directors and 2020 Annual General Meeting decided to repurchase and cancel the 40,020 restricted A-shares which were already granted to but with the restriction not yet relieved and held by 2 retired incentive objects. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on April 13, 2021 and May 08, 2021.

The 30th session of the Ninth Board of Directors and 2021 3rd Extraordinary General Meeting decided to repurchase and cancel the 33,350 restricted A-shares which were already granted to but with the restriction not yet relieved and held by 1 retired incentive object. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on June 15, 2021 and July 02, 2021.

2. Restricted A-Share Incentive Plan 2018 (Phase II)

The 23rd session of the Ninth Board of Directors held on December 04, 2020 and 2021 1st Extraordinary General Meeting held on January 06, 2021 decided to start 2018 A-Share Restrictive Stock Incentive Plan (Phase II), which was later on reviewed and approved at the 25th session of the Ninth Board of Directors held on January 15, 2021, and the Company eventually granted 7.66 million restrictive A-shares to 135 persons eligible for the incentive. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on January 16, 2021. This part of A-share restricted stock was all granted and registered for listing by January 29, 2021. The specific implementation during the reporting period is summarized as follows:

The 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting decided to repurchase and cancel the 150,000 restricted A-shares which were already granted to but with the restriction not yet relieved and held by 1 retired incentive object. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on February 05, 2021 and February 25, 2021.

The 28th session of the Ninth Board of Directors and 2020 Annual General Meeting decided to repurchase and cancel the 120,000 restricted A-shares which were already granted to but with the restriction not yet relieved and held by 3 retired incentive objects. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on April 13, 2021 and May 08, 2021.

The 30th session of the Ninth Board of Directors and 2021 3rd Extraordinary General Meeting decided to repurchase and cancel the 100,000 restricted A-shares which were already granted to but with the restriction not yet relieved and held by 1 retired incentive object. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. on June 15, 2021 and July 02, 2021.

Section 5 Environment and Social Responsibility

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

Yes

Name of the Company or its Subsidiary	Description of the major pollutants or specific pollutant	Way of discharging	Number of discharging outlets	Distribution of the discharging outlets	Discharging concentration	Pollutant Discharge Standards in Force	Total discharge volume	Total discharge volume verified	Over-discharging
Shanghai Watch Industry Co., Ltd.	Nickel and chromium effluent	Intermittent and interruption	1	At the port of effluent treatment equipment	Nickel < 0.03, chromium < 0.01	Nickel:0.1; chromium:0.1	680 tons/year	700 tons/year	None

Construction and operation of the pollution prevention and control facilities

Shanghai Watch Co., Ltd. reconstructed the clean production facility in 2016 and added 2 sets of equipment in 2018 for the purpose of ensuring discharging of nickel and chromium effluent to comply with the Emission Standard of Pollutants for Electroplating during 2018. Up to now, the facility has been operating normally and its emission has never exceeded the limit as specified by the standard. The Company's online monitoring terminal has been docked with the government monitoring platform for timely testing. It complies with the standard in terms of emission factors. In order to implement the requirements of the Eco-Environment Bureau for energy saving and consumption reduction, the Company has basically reached the standard for clean water after treatment of the wastewater from electroplating. Therefore, the Company recycled part of the water and reduced the total annual discharge by about 300 tons each year. In compliance with the Document of Shanghai Municipal Bureau of Ecology and Environment, HU HUAN GUI (2020) No. 6, the primary pollutant wastewater should comply with the general principle of “the water which should be classified must be classified; the water which can be classified must be classified” . The Company started to entrust the municipal engineering department to arrange and improve the Company’ s existing wastewater pipelines commencing from August, 2020, separate, collect and treat the domestic sewage and electroplating effluent.

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

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

Contingency Plan for Emergent Environmental Incidents

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

Environment Self-Monitoring Program

Yangpu District Environmental Protection Bureau of Shanghai conducted supervision once every quarter. The Company entrusted Shanghai Light Industry Environment Protection and Pressure Vessel Monitoring General Station, a competent independent agent, to conduct the monitoring every half a year. The Company was itself equipped with monitoring instruments and conducted self-monitoring at least 4 times every month.

Administrative penalties for environmental problems during the reporting period

Inapplicable

Other environment information necessary to be disclosed

None

Other information in connection with the environmental protection

The company has disclosed the concerned information on the Environmental Information Disclosure

Platform of Enterprises and Institutions of Shanghai according to the requirements of the local environmental protection authorities.

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

II. Social Responsibilities

The Company has been actively practicing social responsibility for many years and has disclosed its annual social responsibility report 14 times in a row. For the latest situation, please refer to the "2020 Social Responsibility Report" published on the "Securities Times", "Hong Kong Commercial Daily" and www.cninfo.com.cn on March 10, 2021.

Section 6 Significant Events

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

Inapplicable

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

Inapplicable

III. Outward guarantee against regulations

Inapplicable

IV. Engagement/Disengagement of CPAs

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

No

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

Inapplicable

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

Inapplicable

VII. Matters concerning Bankruptcy Reorganization

Inapplicable

VIII. Lawsuits

Inapplicable

IX. Penalty and Rectification

Inapplicable

X. Integrity of the Company, its Controlling Shareholder and Actual Controller

Inapplicable

XI. Significant Related Transactions**1. Related Transactions Related with Day-to-Day Operations**

Inapplicable

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

Inapplicable

3. Related transactions concerning joint investment in foreign countries

Inapplicable

4. Current Associated Rights of Credit and Liabilities

Inapplicable

5. Deals with related financial companies and financial companies controlled by the Company

Deposit business

Related parties	Incidence relation	Maximum deposit limit per day (CNY 10,000)	Deposit interest range	Opening balance (CNY 10,000)	Amount incurred (CNY 10,000)	Ending balance (CNY 10,000)
AVIC Finance Co., Ltd.	Finance company with incidence relation	40,000.00	1.665%	28,353.23	158,713.46	15,526.69

Loan business

Inapplicable

Credit extension and other financial business

Inapplicable

Note: The Company's 2019 1st Extraordinary General Meeting reviewed and approved the "Proposal on Signing a Financial Service Agreement with AVIC Finance Co., Ltd.", stipulating that in 2019, 2020 and 2021, the Company shall deposit funds with AVIC Finance Co., Ltd. every day with maximum daily deposit balance (including accrued interest) would not exceed CNY 400 million (including foreign currency conversion in Renminbi); the recyclable comprehensive credit line is CNY 800 million (including foreign currency conversion in Renminbi). For detail, please refer "Announcement of AVIC Finance Co., Ltd. Regarding Related Transactions with AVIC Finance Co., Ltd. 2018-031" disclosed by the Company on December 27, 2018, During the reporting period, the daily maximum related deposit balance between the Company and AVIC Finance did not exceed the above-mentioned limit, and there were no associated loans, credit grants or other financial services.

6. Other Significant Related Transactions

The 27th session of the Ninth Board of Directors held on March 8, 2021 and 2020 Annual General Meeting held on May 7, 2021 reviewed and approved the Proposal on Prediction of Regular Related Transactions in 2021. For the detail, refer to the Announcement on the Resolution of the 27th Session of the Ninth Board of Directors No. 2021-026, the Announcement on the Resolution of 2020 Annual General Meeting No. 2021-045 and the Announcement on the Prediction of the Regular Related Transactions in 2021 No. 2021-029. During the reporting period, the cumulative transaction amount of the Company's related transactions related to its daily operations was within the expected range of the year.

Inquiry on the website for disclosing the provisional report concerning significant related transactions

Description of the provisional announcements	Date of disclosure	Disclosure website
Announcement on the Resolution of the 27th Session of the Ninth Board of Directors, 2021-026	March 10, 2021	www.cninfo.com.cn

Announcement of the Prediction of the Regular Related Transactions in 2021, 2021-029	March 10, 2021	www.cninfo.com.cn
Announcement on the Resolution of 2020 Annual General Meeting, 2021-045	May 08, 2021	www.cninfo.com.cn

XII. Important Contracts and Implementation

1. Custody, Contacting and Leases

(1) Custody

Inapplicable

(2) Contracting

Inapplicable

(3) Leases

Inapplicable

2. Significant Guarantees

In CNY 10,000

Outward guarantees Offered by the Company and its Subsidiaries (excluding guarantee to the subsidiaries)										
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Implementation status	Guarantee to related party?
Inapplicable										
Total amount of outward guarantee approved in the report period (A1)				0	Total amount of outward guarantee actually incurred in the report period (A2)				0	
Total amount of outward guarantee already approved at the end of the report period (A3)				0	Total ending balance of outward guarantee at the end of the report period (A4)				0	
Guarantee to the subsidiaries										
Names of Guarantees	Date of the announcement on the	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Implementation status	Guarantee to related party?

	guarantee line									
Harmony	March 20, 2020	30,000	December 30, 2020	10,000	Guarantee with joint responsibility			1 year	No	No
Harmony	March 15, 2019	20,000	October 01, 2020	5,000	Guarantee with joint responsibility			1 year	No	No
the Technology Co.	March 20, 2020	3,000	April 21, 2020	486	Guarantee with joint responsibility			1 year	No	No
the Technology Co.	March 20, 2020		June 23, 2021	315	Guarantee with joint responsibility			1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)			0	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)						315
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)			53,000	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)						15,801
Guarantee among the subsidiaries										
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Implementation status	Guarantee to related party?
Inapplicable										
Total guarantee quota to the subsidiaries approved in the reporting period (C1)			0	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)						0
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)			0	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)						0
Total amount of guarantees (i.e. Total of the previous three major items)										
Total guarantee quota to the subsidiaries approved in the reporting period (A1+B1+C1)			0	Total amount of outward guarantee actually incurred in the report period (A2+B2+C2)						315
Total amount of guarantees already approved at the end of the report			53,000	Total ending balance of guarantees at the end of						15,801

period (A3+B3+C3)		the report period (A4+B4+C4)	
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)			5.53%
where			
Amount of guarantees offered to the shareholders, actual controller and its related parties (D)			0
Amount of guarantee for liabilities directly or indirectly offered to the guarantees with the asset-liability ratio exceeding 70% (E)			0
Guarantee with total amount exceeding 50% of the net assets (F)			0
Total amount of the aforesaid three guarantees (D+E+F)			0
For the guarantee contract not yet due, guarantee responsibility incurred in the reporting period or there is evidence showing the description of the possible related discharge duty (if any)			Inapplicable
Note to the outward guarantee against the established procedures (if any)			Inapplicable

Description of the guarantee with complex method

Inapplicable

3. Finance Management on Commission

Inapplicable

4. Important contracts for day-to-day operation

Inapplicable

5. Other Important Contracts

Inapplicable

XIII. Notes to Other Significant Events

About the Amendment of the Articles of Association

Authorized by 2021 1st Extraordinary General Meeting, the 26th session of the Ninth Board of Directors held on February 4, 2021 reviewed and approved the "Proposal on the Amendment of the Articles of

Association". For the detail, refer to the Announcement of the Resolution of the 26 Session of the Ninth Board of Directors 2021-015 and the Proposal on the Amendment of the Articles of Association disclosed on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

XIV. Significant Events of the Company's Subsidiaries

Inapplicable

4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	428,091,881	100.00%	7,660,000	0	0	-201,359	7,458,641	435,550,522	100.00%

Cause of the change of shares

During the reporting period, the Company's 2018 A-share Restricted Stock Incentive Plan (Phase II) was completed in granting and registered for listing on January 29, 2021. The number of shares granted was 7,660,000. After the grant, the Company's total share capital increased from 428,091,881 shares to 435,751,881 shares.

As in the Company's 2018 A-share Restricted Stock Incentive Plan (Phase I) and 2018 A-share Restricted Stock Incentive Plan (Phase II) one original incentive object resigned and another one passed away, they were no longer eligible for incentives. According to the conditions of the incentive plan, the Company has repurchased and canceled the 201,359 restricted A-shares that it had granted but had not yet lifted the restriction on sales in accordance with the provisions of the incentive plan. After completion of the repurchase and cancellation, the Company's total shares changed from 435,751,881 shares to 435,550,522 shares.

Approval of the Change of the Shares

The Company held 2021 1st Extraordinary General Meeting on January 6, 2021, authorizing the Company's Board of Directors to handle matters related to the 2018 A-share Restricted Stock Incentive Plan (Phase II).

The Company's 2021 2nd Extraordinary General Meeting held on February 24, 2021 authorized the Board of Directors of the Company to repurchase and cancel 201,359 A-share restricted shares with the restriction not yet relieved that had been granted to and held by the former incentive objects one of whom had resigned and another of whom had passed away.

Transfer of the Shares Changed

Verified by China Securities Depository & Clearing Corporation Limited Shenzhen Branch, as of January

29, 2021, the Company's 2018 A-share Restricted Stock Incentive Plan (Phase II) had been completed and the number of shares granted was 7,660,000.

Verified by China Securities Depository & Clearing Corporation Limited Shenzhen Branch, as of April 23, 2021, the Company completed repurchase and cancellation of 201,359 A-share restricted stock.

Progress of implementation of the stock repurchase

The Company's 19th Session of the Ninth Board of Directors held on July 6, 2020 and 2020 2nd Extraordinary General Meeting held on July 23, 2020 reviewed and approved the "Proposal on Repurchase of Partial Domestically Listed Foreign Shares (B- Shares), and subsequently disclosed the repurchase report and series of progress announcements in accordance with relevant regulations. For the detail, please refer to the relevant announcements disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com. Ended the reporting period, the Company accumulatively repurchased 8,994,086 shares in the Company through a centralized bidding method with the special account for the securities repurchased, accounting for 2.06% of the Company's total share capital. The highest transaction price of the repurchased shares was HK\$6.74 per share, and the lowest transaction price was HK\$5.93/share, the total amount paid was HK\$ 58,207,259.08 (with the transaction cost exclusive).

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

Inapplicable

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

Net return on equity, weighted average (%)		Earnings per share			
		Basic earning per share (CNY/share)		Diluted earning per share (CNY/share)	
June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
8.09%	2.91%	0.5421	0.1775	0.5421	0.1775

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

be disclosed.

Inapplicable

2. Change of the Restricted Shares

In shares

Names of the Shareholders	Number of restricted shares at the beginning of the reporting period	Number of restricted shares relieved in the reporting period	Number of restricted shares increased in the reporting period	Number of restricted shares at the end of the reporting period	Cause of restriction	Date of relieving the restriction
Pan Bo	117,500	26,640	156,640	247,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Lu Wanjun	117,500	26,640	156,640	247,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Liu Xiaoming	117,500	26,640	156,640	247,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Li Ming	117,530	26,640	156,640	247,530	Locked shares for senior executives and restricted shares as the granted	To be unlocked subject to the conditions of the locked shares for senior executives

					locked shares	and the measures for the Company's equity incentive management
Chen Zhuo	118,250	26,640	156,640	248,250	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Tang Haiyuan	60,000	19,980	154,980	195,000	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Huang Yongfeng (Retired)	160,000	33,300	53,300	180,000	Locked shares for senior executives	To be unlocked subject to the conditions of the locked shares for senior executives
Chen Libin (retired)	160,000	33,300	233,300	360,000	Locked shares for senior executives	To be unlocked subject to the conditions of the locked shares for senior executives
Xu Chuangyue (retired)	50,000	183,350	150,000	16,650	Locked shares for senior executives	To be unlocked subject to the conditions of the locked shares for senior executives
Lu Bingqiang (retired)	72,233	0	0	72,233	Locked shares for senior executives	To be unlocked subject to the conditions of the locked shares for senior executives
Other persons eligible for the	3,367,000	1,139,220	6,430,000	8,657,780	Restricted shares as the	To be unlocked subject to the

incentive of A-share restrictive stock						granted locked shares	measures for the Company's equity incentive management
Total	4,457,513	1,542,350	7,804,780	10,719,943	--	--	

II. Issuing and Listing

Description of the stock and its derivative securities	Date of issuing	Issuing price (or interest rate)	Quantity issued	Date of listing	Quantity approved for being listed for trading	Expiry date of trading	Disclosure index	Date of disclosure
Type of stock								
A-shares	January 15, 2021	7.6	7,660,000	January 29, 2021	7,660,000		http://www.cninfo.com.cn/	January 28, 2021

Note to issuing of securities during the reporting period

The 23rd session of the Ninth Board of Directors held on December 04, 2020 and 2021 1st Extraordinary General Meeting held on January 06, 2021 decided to start 2018 A-Share Restrictive Stock Incentive Plan (Phase II), which was later on reviewed and approved at the 25th session of the Ninth Board of Directors held on January 15, 2021, and the Company eventually granted 7.66 million restrictive A-shares to 135 persons eligible for the incentive. The grant date of this part of the A-share restricted stock is January 15, 2021, and the grant was completed and registered for listing on January 29, 2021. For the detail, please refer to the "Announcement on Completion of the Grant Involved in the 2018 Restricted A-Share Incentive Plan (Phase II) 2021-011" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

III. Number of Shareholders and Shareholding

In shares

Total common shareholders at the end of the reporting period	27,860	Total preference shareholders with the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)	0					
Shares held by the common shareholders holding over 5% shares or the top 10 common shareholders								
Names of the Shareholders	Nature of the shareholder	Shareholding proportion	Number of common shares held	Increase/decrease in the reporting period	Number of the restricted	Number of the unrestricted	Pledging, marking or freezing	
							Status of the shares	Quantity

			at the end of the reporting period		common shares held	common shares held		
AVIC International Holding Limited	State corporate	37.42%	162,977,327	0	0	162,977,327		
Construction Bank of China - Penghua Huizhi Optimized Hybrid Securities Investment Fund	Domestic non-state-owned legal person	3.02%	13,145,394	13,145,394	0	13,145,394		
Guoxin Investment Co., Ltd.	State corporate	1.78%	7,739,898	7,739,898	0	7,739,898		
ICBC - Fuguo Tianhui Selected Growth Hybrid Securities Investment Fund (LOF)	Domestic non-state-owned legal person	1.38%	6,000,000	5,663,900	0	6,000,000		
Construction Bank of China - Penghua High Quality Growth Hybrid Securities Investment Fund	Domestic non-state-owned legal person	1.30%	5,646,306	395,400	0	5,646,306		
GF Fund— Guoxin Investment Co., Ltd. —GF Fund —GUO XIN No. 6 (QDII) Single Asset Management Plan"	Domestic non-state-owned legal person	1.21%	5,269,001	4,040,200	0	5,269,001		
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	Domestic non-state-owned legal person	1.14%	4,947,442	-2,524,993	0	4,947,442		
Industrial and	Domestic	0.76%	3,302,438	3,302,438	0	3,302,438		

Commercial Bank of China LTD - Penghua Innovation Growth Hybrid Securities Investment Fund	non-state-owned legal person							
Construction Bank of China - Penghua Selected Growth Hybrid Securities Investment Fund	Domestic non-state-owned legal person	0.64%	2,782,634	459,900	0	2,782,634		
Chi Dexuan	Domestic natural person	0.38%	1,672,900	-30,600	0	1,672,900		
About the fact that a strategic investor or ordinary corporate became one of the top ten common shareholders due to placement of new shares (if any) (Refer to Note 3)	Inapplicable							
Explanation on associated relationship or consistent action of the above shareholders	Inapplicable							
Note to the aforesaid shareholders involving entrusting/being entrusted with voting power and the waiver of voting power	Among the above shareholders, AVIC International Holding Limited authorized representatives to exercise voting rights on their behalf in the Company's 2021 1st Extraordinary General Meeting, 2021 2nd Extraordinary General Meeting and 2020 Annual General Meeting with the number of representative shares being 162,977,327 shares. For the detail of the result of the aforesaid voting, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn .							
There is a special repurchase account among the top 10 shareholders (if any) (see Note 11) Special note to the designated repurchase account in top 10 shareholders (if any) (Refer to Note 11)	The Company has a special securities account for the repurchase of FIYTA Precision Technology Co., Ltd. As of the end of the reporting period, the account held 8,994,086 B-shares as repurchased, which was not presented in the top 10 shareholder register.							
Shares held by top 10 shareholders of unrestricted shares								
Names of the Shareholders	Quantity of unrestricted shares held at the end of the reporting period	Share type						
		Share type	Quantity					
AVIC International Holding Limited	162,977,327	CNY ordinary shares	162,977,327					
Construction Bank of China - Penghua Huizhi Optimized Hybrid Securities Investment Fund	13,145,394	CNY ordinary shares	13,145,394					
Guoxin Investment Co., Ltd.	7,739,898	CNY ordinary	7,739,898					

		shares	
ICBC - Fuguo Tianhui Selected Growth Hybrid Securities Investment Fund (LOF)	6,000,000	CNY ordinary shares	6,000,000
Construction Bank of China - Penghua High Quality Growth Hybrid Securities Investment Fund	5,646,306	CNY ordinary shares	5,646,306
GF Fund—Guoxin Investment Co., Ltd. —GF Fund—GUO XIN No. 6 (QDII) Single Asset Management Plan"	5,269,001	CNY ordinary shares	5,269,001
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	4,947,442	CNY ordinary shares	4,947,442
Industrial and Commercial Bank of China LTD - Penghua Innovation Growth Hybrid Securities Investment Fund	3,302,438	CNY ordinary shares	3,302,438
Construction Bank of China - Penghua Selected Growth Hybrid Securities Investment Fund	2,782,634	CNY ordinary shares	2,782,634
Chi Dexuan	1,672,900	CNY ordinary shares	1,672,900
Note to the associated relationship or consistent action among the top 10 shareholders of non-restricted common shares and that between the top 10 shareholders of non-restricted common shares and top 10 common shareholders.	Inapplicable		
Note to the top 10 common shareholders involved in margin financing & securities lending (if any) (Refer to Note 4)	Among the above shareholders, Chi Dexuan purchased 1,672,900 shares through the customer credit transaction guarantee securities account of Huaxin Securities Co., Ltd.		

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

No

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

Name	Title	Office Status	Number of shares held at the beginning of the reporting period (shares)	Shareholding increased in the reporting period (shares)	Shareholding decreased in the reporting period (shares)	Number of shares held at end of the reporting period (shares)	Number of restricted shares granted at the beginning of the reporting period (shares)	Number of restricted shares granted during the reporting period (shares)	Number of restricted shares granted at the end of the reporting period (shares)
Zhang Xuhua	Chairman of the Board	In office	0	0	0	0	0	0	0
Zhang Zhibiao	Director	Retired	0	0	0	0	0	0	0
Xiao Yi	Director	In office	0	0	0	0	0	0	0
Xiao Zhanglin	Director	In office	0	0	0	0	0	0	0
Li Peiyin	Director	In office	0	0	0	0	0	0	0
Pan Bo	Managing Director	In office	130,000	150,000	0	280,000	80,000	150,000	230,000
Wang Jianxin	Independent Director	In office	0	0	0	0	0	0	0
Zhong Hongming	Independent Director	In office	0	0	0	0	0	0	0
Tang Xiaofei	Independent Director	In office	0	0	0	0	0	0	0
Zheng Qiyuan	Chairman of the Supervisory Committee	In office	0	0	0	0	0	0	0
Cao Zhen	Supervisor	In office	0	0	0	0	0	0	0
Sheng Qing	Supervisor	In office	0	0	0	0	0	0	0
Lu Wanjun	Deputy GM	In office	130,000	150,000	0	280,000	80,000	150,000	230,000
Liu Xiaoming	Deputy GM	In office	130,000	150,000	0	280,000	80,000	150,000	230,000
Li Ming	Deputy GM	In office	130,040	150,000	0	280,040	80,000	150,000	230,000
Chen Zhuo	Chief Accountant & Secretary of the Board	In office	131,000	150,000	0	281,000	80,000	150,000	230,000
Tang Haiyuan	Deputy GM	In office	60,000	150,000	0	210,000	60,000	150,000	210,000
Huang Yongfeng	Chairman of the Board	Retired	180,000	0	0	180,000	100,000	0	100,000

Wang Mingchuan	Director	Retired	0	0	0	0	0	0	0
Fu Debin	Director	Retired	0	0	0	0	0	0	0
Wang Bo	Director	Retired	0	0	0	0	0	0	0
Wang Baoying	Chairman of the Supervisory Committee	Retired	0	0	0	0	0	0	0
Fang Jiasheng	Supervisor	Retired	0	0	0	0	0	0	0
Chen Libin	Managing Director	Retired	180,000	180,000	0	360,000	100,000	180,000	280,000
Xu Chuangyue (Note)	Deputy GM	Retired	50,000	150,000	183,350	16,650	50,000	150,000	0
Total	--	--	1,121,040	1,230,000	183,350	2,167,690	710,000	1,230,000	1,740,000

Note: The Company has completed the repurchase and cancellation of 183,350 A-share restricted stocks held by Xu Chuangyue, the original incentive object who resigned on April 23, 2021, and the remaining 16,650 shares held by him have been unlocked A-shares.

V. Change of the Controlling Shareholder or Actual Controller

Change of the controlling shareholder in the reporting period

Inapplicable

Change of the actual controller in the reporting period

Inapplicable

Section 8 About the Preferred Shares

Inapplicable

Section 9 About Bonds

Inapplicable

Section 10 Financial Report

I. Auditors' Report

Has the semi-annual report been audited

No

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by FIYTA Precision Technology Co., Ltd.

In CNY

Items	June 30, 2021	December 31, 2020
Current assets:		
Monetary capital	234,840,156.69	353,057,285.71
Settlement reserve		
Inter-bank lending		
Transactional financial assets		
Derivative financial assets		
Notes receivable	54,521,848.62	48,192,442.15
Accounts receivable	493,350,677.26	475,598,684.88
Financing with accounts receivable		
Advance payment	17,014,006.71	16,612,773.76
Receivable premium		
Reinsurance accounts receivable		
Reserve for reinsurance contract receivable		
Other receivables	61,004,359.97	52,902,779.63
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventories	2,014,209,378.86	1,931,780,185.85
Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	47,287,225.10	75,935,141.76
Total current assets	2,922,227,653.21	2,954,079,293.74
Non-current assets:		
Loan issuing and advance in cash		
Equity investment		
Other equity investment		
Long term accounts receivable		

Long-term equity investments	53,029,994.16	51,400,665.92
Investment in other equity instruments	85,000.00	85,000.00
Other non-current financial assets		
Investment-oriented real estate	390,386,341.42	398,086,447.78
Fixed assets	350,973,834.39	352,734,280.76
Construction-in-progress		
Productive biological asset		
Oil and Gas Assets		
Use right assets	145,971,912.86	
Intangible assets	34,770,175.43	37,859,316.51
Development expenses		
Goodwill		
Long term expenses to be apportioned	147,942,069.65	130,017,587.99
Deferred income tax asset	74,528,698.05	80,913,800.35
Other non-current assets	5,499,554.07	13,536,307.13
Total non-current assets	1,203,187,580.03	1,064,633,406.44
Total assets	4,125,415,233.24	4,018,712,700.18
Current liabilities:		
Short term borrowings	460,023,601.43	542,673,278.09
Borrowings from central bank		
Loans from other banks		
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable	2,181,360.00	3,581,360.00
Accounts payable	242,658,707.35	301,211,515.39
Advance receipt	8,932,926.97	9,991,850.67
Contract liabilities	18,658,899.34	18,213,396.49
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	84,206,571.74	132,853,462.20
Taxes payable	65,945,245.27	68,925,271.90
Other payables	224,725,778.18	128,577,597.94
Including: interest payable		
Dividends payable	5,210,370.29	1,639,513.77
Service charge and commission payable		
Payable reinsurance		
Held-for-sale liabilities		

Non-current liabilities due within a year	95,744,266.63	370,030.00
Other current liabilities	2,374,396.18	2,299,755.09
Total current liabilities	1,205,451,753.09	1,208,697,517.77
Non-current liabilities:		
Reserve for insurance contract		
Long-term borrowings	3,702,300.00	4,070,330.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities	52,886,029.26	
Long-term accounts payable		
Long term payroll payable to the employees		
Estimated liabilities		
Deferred income	2,377,718.35	2,916,346.43
Deferred income tax liability	3,837,833.16	3,067,834.55
Other non-current liabilities		
Total non-current liabilities	62,803,880.77	10,054,510.98
Total liabilities	1,268,255,633.86	1,218,752,028.75
Owner' s equity:		
Capital stock	435,550,522.00	428,091,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital reserve	1,078,658,797.94	1,021,490,387.78
Less: shares in stock	117,872,472.46	61,633,530.48
Other comprehensive income	-5,501,083.75	976,871.41
Special reserve	295,691.96	
Surplus reserve	246,531,866.87	246,531,866.87
Reserve against general risks		
Retained earnings	1,219,496,276.82	1,164,490,911.51
Total owners' equity attributable to the parent company	2,857,159,599.38	2,799,948,388.09
Minority shareholders' equity		12,283.34
Total owner' s equity	2,857,159,599.38	2,799,960,671.43
Total liabilities and owners' equity	4,125,415,233.24	4,018,712,700.18

Legal representative: Zhang Xuhua
Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the Accounting

2. Balance Sheet (Parent Company)

In CNY

Items	June 30, 2021	December 31, 2020
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Current assets:		
Monetary capital	177,611,362.38	292,055,169.74
Transactional financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	3,108,258.93	1,464,798.79
Financing with accounts receivable		
Advance payment		
Other receivables	578,424,821.93	621,512,680.69
Including: Interest receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	12,678,135.67	11,655,617.82
Total current assets	771,822,578.91	926,688,267.04
Non-current assets:		
Equity investment		
Other equity investment		
Long term accounts receivable		
Long-term equity investments	1,535,486,644.71	1,529,415,188.28
Investment in other equity instruments	85,000.00	85,000.00
Other non-current financial assets		
Investment-oriented real estate	316,968,024.06	323,296,494.84
Fixed assets	228,543,657.25	224,709,747.39
Construction-in-progress		
Productive biological asset		
Oil and Gas Assets		
Use right assets		
Intangible assets	25,149,757.70	27,347,950.13
Development expenses		
Goodwill		
Long term expenses to be apportioned	10,238,644.03	11,980,697.97
Deferred income tax asset	1,549,679.94	1,380,180.94
Other non-current assets	1,169,264.97	473,312.35
Total non-current assets	2,119,190,672.66	2,118,688,571.90
Total assets	2,891,013,251.57	3,045,376,838.94
Current liabilities:		
Short term borrowings	450,413,888.89	400,425,930.05
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable		

Accounts payable	1,232,967.42	1,481,135.49
Advance receipt	8,932,926.97	9,991,850.67
Contract liabilities		37,735.85
Payroll payable to the employees	19,101,278.54	25,256,531.70
Taxes payable	7,810,440.56	2,778,265.84
Other payables	192,044,409.36	240,824,305.37
Including: interest payable		
Dividends payable	5,210,370.29	1,639,513.77
Held-for-sale liabilities		
Non-current liabilities due within a year		
Other current liabilities		2,264.15
Total current liabilities	679,535,911.74	680,798,019.12
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	2,377,718.35	2,377,718.35
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	2,377,718.35	2,377,718.35
Total liabilities	681,913,630.09	683,175,737.47
Owner' s equity:		
Capital stock	435,550,522.00	428,091,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital reserve	1,083,200,014.48	1,027,145,928.88
Less: shares in stock	117,872,472.46	61,633,530.48
Other comprehensive income		
Special reserve		
Surplus Reserve	246,531,866.87	246,531,866.87
Retained earnings	561,689,690.59	722,064,955.20
Total owner' s equity	2,209,099,621.48	2,362,201,101.47
Total liabilities and owners' equity	2,891,013,251.57	3,045,376,838.94

Legal representative: Zhang Xuhua
Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the Accounting

3. Consolidated Statement of Profit

In CNY

Items	Semi-annual of 2021	Semi-annual of 2020
I. Turnover	2,777,519,521.34	1,581,834,715.03
Including: operating income	2,777,519,521.34	1,581,834,715.03
Interest income		
Earned insurance premium		
Service charge and commission income		
II. Total operating costs	2,484,774,500.03	1,501,108,535.92
Including: Operating costs	1,738,149,481.70	977,435,676.87
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	16,455,961.46	7,270,983.69
Sales costs	561,630,052.63	380,928,312.51
Administrative expenses	121,391,665.85	98,240,348.73
R & D expenditures	26,370,064.68	20,704,270.76
Financial expenses	20,777,273.71	16,528,943.36
Where: Interest cost	14,778,321.69	13,485,670.67
Interest income	2,153,626.51	2,482,721.82
Plus: Other income	11,662,934.28	10,154,015.67
Investment income (loss is stated with “-”)	1,629,328.24	2,160,911.92
Including: return on investment in associate and joint venture	1,629,328.24	2,160,911.92
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 “-”)	-2,035,236.95	-2,467,361.35
Loss from impairment of assets (loss is stated with “-”)	-1,226,362.68	
Income from disposal of assets (loss is stated with “-”)	-73,807.46	-200,140.17
III. Operating Profit (loss is stated with “-”)	302,701,876.74	90,373,605.18
Plus: Non-operating income	271,968.27	1,391,859.42
Less: Non-operating expenses	859,659.12	118,646.41
IV. Total profit (total loss is stated with “-”)	302,114,185.89	91,646,818.19
Less: Income tax expense	68,549,402.06	13,907,911.89
V. Net Profit (net loss is stated with “-”)	233,564,783.83	77,738,906.30
(I) Classification based on operation sustainability		
1. Net Profit from sustainable operation (net loss is stated with “-”)	233,564,783.83	77,738,906.30
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	233,544,726.55	77,738,906.30
2. Minority shareholders’ gain/loss	20,057.28	
VI. Net of other comprehensive income after tax	-6,510,295.78	4,329,973.83
Net of other comprehensive income after tax attributable to the parent company’ s owner	-6,477,955.16	4,329,877.58
(I) Other comprehensive income which cannot be re-classified into gain and loss		
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Other comprehensive income which cannot be converted into gain and loss based on the equity method		
3. Movement of the fair value of the investment in other equity instruments		
4. Movement of the fair value of the Company’ s own credit risk		
5. Others		
(II) Other comprehensive income which shall be re-classified into gain and loss	-6,477,955.16	4,329,877.58

1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of the investment in other debt instruments		
3. Amount of the reclassified financial assets counted to the other comprehensive income		
4. Provision for impairment of the credit of the other debt investment		
5. Reserve for cash flow hedge		
6. Conversion difference in foreign currency statements	-6,477,955.16	4,329,877.58
7. Others		
Net amount of other comprehensive income after tax attributable to minority shareholders	-32,340.62	96.25
VII. Total comprehensive income	227,054,488.05	82,068,880.13
Total comprehensive income attributable to the parent company's owner	227,066,771.39	82,068,783.88
Total comprehensive income attributable to minority shareholders	-12,283.34	96.25
VIII. Earnings per share:		
(I) Basic earnings per share	0.5421	0.1775
(II) Diluted earnings per share	0.5421	0.1775

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

4. Statement of Profit, Parent Company

In CNY

Items	Semi-annual of 2021	Semi-annual of 2020
I. Operating revenue	86,734,149.72	57,313,218.41
Less: Operating cost	17,699,646.51	17,626,390.24
Taxes and surcharges	3,878,641.68	1,616,108.15
Sales costs	1,502,340.61	597,618.02
Administrative expenses	35,277,870.48	31,406,670.97
R & D expenditures	10,669,576.37	7,989,092.54
Financial expenses	2,473,687.51	3,458,375.39
Where: Interest cost	4,352,044.36	5,364,370.20
Interest income	1,885,611.98	2,363,907.44
Plus: Other income	1,283,696.46	4,334,756.32
Investment income (loss is stated with “-”)	1,629,328.24	2,160,911.92

Including: return on investment in associate and joint venture	1,629,328.24	2,160,911.92
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 “-”)	-227,114.99	-100,902.52
Loss from impairment of assets (loss is stated with “-”)		
Income from disposal of assets (loss is stated with “-”)	-32,709.96	-15,641.58
II. Operating Profit (loss is stated with “-”)	17,885,586.31	998,087.24
Plus: Non-operating income	68,243.42	33,077.28
Less: Non-operating expenses		
III. Total profit (total loss is stated with “-”)	17,953,829.73	1,031,164.52
Less: Income tax expense	4,109,028.61	-250,708.51
IV. Net Profit (net loss is stated with “-”)	13,844,801.12	1,281,873.03
(I) Net Profit from sustainable operation (net loss is stated with “-”)	13,844,801.12	1,281,873.03
(II) Net Profit from termination of operation (net loss is stated with “-”)		
V. Net of other comprehensive income after tax		
(I) Other comprehensive income which cannot be re-classified into gain and loss		
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Other comprehensive income which cannot be converted into gain and loss based on the equity method		
3. Movement of the fair value of the investment in other equity instruments		
4. Movement of the fair value of the Company’s own credit risk		
5. Others		
(II) Other comprehensive income which shall be re-classified into gain and loss		
1. Other comprehensive income		

which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of the investment in other debt instruments		
3. Amount of the reclassified financial assets counted to the other comprehensive income		
4. Provision for impairment of the credit of the other debt investment		
5. Reserve for cash flow hedge		
6. Conversion difference in foreign currency statements		
7. Others		
VI. Total comprehensive income	13,844,801.12	1,281,873.03
VII. Earnings per share:		
(I)Basic earnings per share		
(II)Diluted earnings per share		

Legal representative: Zhang Xuhua
Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the Accounting

5. Consolidated Cash Flow Statement

In CNY

Items	Semi-annual of 2021	Semi-annual of 2020
I. Cash flows arising from operating activities:		
Cash received from sales of goods and supply of services	3,032,558,393.33	1,704,132,389.05
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	332,318.54	1,408,520.48
Other operation activity related cash receipts	38,766,804.92	31,287,429.73
Subtotal of cash flow in from operating activity	3,071,657,516.79	1,736,828,339.26
Cash paid for purchase of goods and reception of labor services	2,066,444,330.76	1,124,364,970.39
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	393,019,916.39	280,396,366.01
Taxes paid	162,959,165.63	62,495,543.38
Other business activity related cash payments	244,079,540.08	165,926,224.21
Subtotal of cash flow out from operating activity	2,866,502,952.86	1,633,183,103.99
Net cash flows arising from operating activities	205,154,563.93	103,645,235.27
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	40,157.94	19,552.47
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	40,157.94	19,552.47
Cash paid for purchase/construction of fixed assets, Intangible assets and other	80,158,290.74	53,912,380.03

long term assets		
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	80,158,290.74	53,912,380.03
Cash flow arising from investment activities:	-80,118,132.80	-53,892,827.56
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	662,716,163.39	572,430,000.00
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	720,932,163.39	572,430,000.00
Cash paid for debt repayment	726,557,058.70	467,250,228.75
Cash paid for dividend/profit distribution or repayment of interest	182,851,224.13	98,229,142.76
Including: Dividend and profit paid by the subsidiaries to minority shareholders		
Cash paid for other financing activities	54,063,872.68	26,825,873.78
Sub-total cash flow paid for financing activities	963,472,155.51	592,305,245.29
Net cash flow arising from fund-raising activities	-242,539,992.12	-19,875,245.29
IV. Change of exchange rate influencing the cash and cash equivalent	-713,568.03	-64,085.83
V. Net increase of cash and cash equivalents	-118,217,129.02	29,813,076.59
Plus: Opening balance of cash and cash equivalents	353,057,285.71	315,093,565.09
VI. Ending balance of cash and cash equivalents	234,840,156.69	344,906,641.68

Legal representative: Zhang Xuhua
Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting

6. Cash Flow Statement, Parent Company

In CNY

Items	Semi-annual of 2021	Semi-annual of 2020
I. Net cash flows arising from operating activities		
Cash received from sales of goods and supply of services	85,465,489.50	84,447,213.29
Rebated taxes received		
Other operation activity related cash receipts	2,790,729,542.97	1,761,219,003.00
Subtotal of cash flow in from operating activity	2,876,195,032.47	1,845,666,216.29
Cash paid for purchase of goods and reception of labor services		
Cash paid to and for staff	38,235,882.75	28,476,180.31
Taxes paid	7,088,803.03	5,608,474.08
Other business activity related cash payments	2,851,858,748.03	1,646,751,070.92
Subtotal of cash flow out from operating activity	2,897,183,433.81	1,680,835,725.31
Net cash flows arising from operating activities	-20,988,401.34	164,830,490.98
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	3,200.00	550.00
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	3,200.00	550.00
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	14,452,808.81	15,073,283.59
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	14,452,808.81	15,073,283.59

Cash flow arising from investment activities:	-14,449,608.81	-15,072,733.59
III. Cash flow arising from fund-raising activities:		
Cash received from absorbing investment	58,216,000.00	
Cash received from loans	650,000,000.00	450,000,000.00
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	708,216,000.00	450,000,000.00
Cash paid for debt repayment	600,000,000.00	450,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	180,890,301.90	97,351,309.71
Cash paid for other financing activities	6,106,577.91	26,693,235.96
Sub-total cash flow paid for financing activities	786,996,879.81	574,044,545.67
Net cash flow arising from fund-raising activities	-78,780,879.81	-124,044,545.67
IV. Change of exchange rate influencing the cash and cash equivalent	-224,917.40	26,311.50
V. Net increase of cash and cash equivalents	-114,443,807.36	25,739,523.22
Plus: Opening balance of cash and cash equivalents	292,055,169.74	269,098,346.02
VI. Ending balance of cash and cash equivalents	177,611,362.38	294,837,869.24

Legal representative: Zhang Xuhua Chief Financial Officer: Chen Zhuo 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	Semi-annual of 2021													Minority shareholders' equity	Total owner' s equity
	Owners' equity attributable to the parent company														
	Capital stock	Preferred shares	Perpetual bonds	Other	Capital reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Provision for general risks	Retained earnings	Others	Sub-total		
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											-4,319.		-4,319.		-4,319.

in accounting policy										295.51		295.51		295.51
Correction of previous errors														
Business combination under the common control														
Others														
II. Opening balance of the reporting year	428,091.88				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	12,283,413,759.92
III. Decrease/increase of the reporting 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	-12,283,223.46
(I) Total comprehensive income							-6,477,955.16				233,544,726.55		227,066,771.39	-12,283,448.05
(II) Owners' input and decrease of capital	7,458,641.00				57,168,410.16	56,238,941.98							8,388,091.18	8,388,091.18
1 Common shares contributed by the owner	7,458,641.00				49,411,923.00	61,668,402.49							-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							13,189,324.67	13,189,324.67
4 Others					-3,377.00								-3,377.00	-3,377.00
(III) Profit Distribution											-174,220,065.73		-174,220,065.73	-174,220,065.73

1 Provision of surplus reserve														
2 Provision for general risks														
3 Distributions to the owners (or shareholders)										-174,220,065.73		-174,220,065.73		-174,220,065.73
4 Others														
(IV) Internal carry-over of owners' equity														
1 Conversion of capital reserve into capital (or capital stock)														
2 Conversion of surplus reserve into capital (or capital stock)														
3 Loss made up for with surplus reserve														
4 Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings														
5 Other comprehensive income carried-over to the retained earnings														
6 Others														
(V) Special reserve							295,691.96					295,691.96		295,691.96
1 Provision in the reporting period							491,605.68					491,605.68		491,605.68
2 Applied in the reporting period							-195,913.72					-195,913.72		-195,913.72
(VI) Others														
IV. Ending	435,5				1,078,6	117,87	-5,501,	295,69	246,53		1,219,4		2,857,1	2,857,1

balance of the reporting period	50,522.00				58,797.94	2,472.46	083.75	1.96	1,866.87		96,276.82		59,599.38		59,599.38
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Amount in the previous period

In CNY

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

4 Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings												
5 Other comprehensive income carried-over to the retained earnings												
6 Others												
(V) Special reserve												
1 Provision in the reporting period												
2 Applied in the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	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

Amount in the previous period

In CNY

Items	Semi-annual of 2020											
	Capital stock	Other equity instruments			Capital reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Others	Total owners' equity
		Preferr ed shares	Perpet ual bond	Others								
I. Ending balance of the previous year	442,968,881.00				1,086,885,756.42	71,267,118.78			235,701,180.14	710,223,150.82		2,404,511,849.60
Plus: Change in accounting policy												
Correction of previous errors												
Others												
II. Opening balance of the reporting year	442,968,881.00				1,086,885,756.42	71,267,118.78			235,701,180.14	710,223,150.82		2,404,511,849.60
III.	-14,797				-61,845,	-53,819,				-84,352,50		-107,175,56

3 Loss made up for with surplus reserve												
4 Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings												
5 Other comprehensive income carried-over to the retained earnings												
6 Others												
(V) Special reserve												
1 Provision in the reporting period												
2 Applied in the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	428,171,881.00				1,025,040,563.89	17,447,988.68			235,701,180.14	625,870,647.65		2,297,336,284.00

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

III. Company Profile

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

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

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

On July 4, 1997, according to the equity assignment agreement between AVIC International Shenzhen Co., Ltd. (AVIC International Shenzhen) and AVIC International Holding Corporation (with original name of Shenzhen CATIC Group Co., Ltd. and renamed as AVIC International Holding Corporation later on (hereinafter referred to as AVIC International), AVIC International Shenzhen assigned 72.36 million corporate shares (taking 52.24% of the Company's total shares) to AVIC International. From then on, the Company's controlling shareholder turned to be AVIC International from AVIC International Shenzhen.

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

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

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

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

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

On January 4, 2019, approved by State-owned Assets Supervision and Administration Commission of the State Council with the "Official Reply on Fiyta Holdings Ltd. to Implement the Restrictive Stock Incentive Plan" (GUO ZI KAO FEN [2018] No. 936), and at the same time reviewed and approved by the Board of Directors and the General Meeting, the Company awarded 4.277 million shares of A-share restrictive stock to 128 incentive objects in the Company's Restrictive Stock

Incentive Plan (Phase I) as at January 30, 2019. the Company' s registered capital increased to CNY 442,968,881.00 and AVIC International holds 36.79% of the Company' s equity based capital.

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

Verified and confirmed by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, on April 30, 2020, the Company wrote off 14,730,000 B-shares repurchased by the Company.

According to the “Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 A-Share Restricted Stock Incentive Plan (Phase 2)” approved at the board meeting and general meeting, in year 2020, the Company repurchased and canceled a total of 147,000 A-share restricted shares that were granted with the restriction not released to 6 retired former incentive objects. After the change, the Company' s registered capital decreased to CNY 428,091,881.00.

Reviewed and approved at the 23rd session of the Ninth Board of Directors and 2021 1st Extraordinary General Meeting, the Company granted 7,660,000 A-share restricted shares to 128 incentive objects based on the Company's A-Share Restricted Stock Incentive Plan (Phase 2) on January 29, 2021. The Company' s registered capital increased to CNY 435,751,881.00.

In the first half year of 2021, the Company repurchased and canceled 201,359 A-share restricted shares that had been granted to and held by 1 retired and 1 deceased former incentive objects with the restriction had not yet been relieved. After the change, the Company' s registered capital decreased to CNY 435,550,522.00.

Ended June 30, 2021, the Company accumulatively issued altogether 435,550,522.00 shares of capital stock. For the detail, refer to Note VII. 53 “Share Capital” .

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

The business nature and principal business activities of the Company and its subsidiaries (collectively the Group) 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. The Company's legal

representative is Zhang Xuhua.

These financial statements and notes to the financial statements were approved at the 32nd session of the Ninth Board of Directors on August 18, 2021.

There were 13 subsidiaries consolidated during the reporting period. For the detail, refer to Note IX. "Equity in Other Entities". For the consolidation scope in the reporting period, refer to Note VIII "Change of the Consolidation Scope".

IV. Basis for preparation of the financial statements

1. Preparation Basis

These financial statements are prepared according to the accounting standards for enterprises promulgated by the Ministry of Finance and their application guidance, interpretations and other relevant regulations (with the unified name of "Accounting Standards for Enterprises"). In addition, the Group disclosed the relevant financial information according to 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).

The Group follows the accrual basis of accounting. With the exception of some financial instruments, these financial statements are measured based on the historic cost basis. If impaired, the assets shall provide for impairment in accordance with the relevant regulations.

2. Operation on Going Concern Basis

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:

The Group determines the depreciation of fixed assets, amortization of intangible assets and revenue recognition policies based on its own production and operation characteristics. For specific accounting policies, please refer to Note V.24, Note V.30 and Note V.39.

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

The financial statements prepared by the Group comply with requirements of the enterprise accounting standards, truly and completely reflect the concerned information, including the Company' s consolidation and financial position as at June 30, 2021 and the Company' s consolidation and operation achievements and consolidation, and the Company's cash flow, etc. from January to June, 2021.

2. Fiscal period

The fiscal year of the Group is the Gregorian year, i.e. from January 1 to December 31st of a year.

3. Business Cycle

The Group's operating cycle is 12 months.

4. Recording Currency

The Company and its domestic subsidiaries use Renminbi (CNY) as the function currency for book keeping. FIYTA Hong

Kong Co., Ltd., one of the Company's overseas subsidiaries (hereinafter referred to as "FIYTA HK") and Station-68 Limited (hereinafter referred to as "Station-68"), one of the subsidiaries of FIYTA HK (hereinafter referred to as "Station-68") have 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 (hereinafter referred to as the "Swiss Company"), 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 Group takes in preparation of these financial statements is Renminbi.

5. The accounting treatment on business consolidation under the common control and not under the common control

(1) Business combination under the common control

For a business combination under the common control, the assets and liabilities of the combined party acquired by the combining party in the combination, except for adjustments made due to different accounting policies, are measured based on the book value of the combined party in the ultimate controlling party's consolidated financial statements on the combination date. The differences between the book value of the combination consideration (or sum of book value of issued shares) and the book value of net assets acquired in the combination are used to adjust the capital reserve (premium on stock capital); if the capital reserve (premium on stock capital) is not sufficient to be write down, the retained earnings shall be adjusted.

Business combination under the common control realized through a number of transactions

In some financial statements, the share of the book value of the net assets of the combined party enjoyable on the date of combination calculated based on the shareholding ratio on the date of combination in the consolidated financial statements of the eventual controller is taken as the initial investment cost of the said investment; the differences between the initial investment cost and the sum of the book value of investment held prior to the combination plus the book value of the consideration newly paid are used to adjust the capital reserve (capital stock premium); if the capital reserve is not enough for writing down, the retained earnings should be adjusted.

In the consolidated financial statements, the assets and liabilities of the combined party acquired by the combining party in the combination, except for adjustments made due to different accounting policies, are measured based on the book value of the combined party in the eventual controller's consolidated financial statements on the date of combination. The difference between the sum of the book value of investment held prior to the combination plus the book value of the consideration newly paid and the book value of the net assets acquired in the combination is used to adjust the capital reserve (capital stock premium). If the capital reserve is not enough for writing down, the retained earnings should be adjusted. The long-term equity investment held by the combining party before acquiring the control over the combined party has been confirmed between the latter of the date when the original equity is obtained and the date when the combining party and the combined party are under the final control of the same party to the date of the combination. Changes in profit and loss, other comprehensive income and other owners' equity should be used to offset the initial retained earnings or current gains and losses during the comparative reporting period.

(2) Business combination not under the common control

For the combination of enterprises not under the common control, the combination costs contain the assets paid by the purchasing party on the date of purchase for acquiring the control over the purchased party, the liabilities incurred or undertaken and the fair value of the issued equity securities. On the purchase date, the acquired assets, liabilities and

contingent liabilities of the acquired party are recognized at fair value.

The difference between the combination cost and the fair value of the acquiree's identifiable net assets acquired in the combination is recognized as goodwill, and subsequent measurement is conducted at cost minus the accumulated provision for impairment; the difference between the combination cost and the fair value of the acquiree's identifiable net assets obtained in the combination is included in the current profit and loss after a review.

Business combination not under the common control realized through a number of transactions

In some financial statements, the sum of the book value of the purchased party's equity investment held before the purchase date and the new investment cost on the purchase date is used as the initial investment cost of the investment. Other comprehensive income of the equity investment held before the purchase date, which is measured and recognized by the equity method, shall not be subject to accounting treatment on the date of purchase according to the same basis with the investee's direct disposal of relevant assets or liabilities when such investment is disposed of; the owner's equity other than the net profits or losses, other comprehensive income and distributed profits of the investee shall be included in the current profit and loss during the disposal at the time of disposal of the said investment. In case the equity investment held before the date of purchase is measured based on the fair value, the cumulative changes in fair value originally included in other comprehensive income shall be transferred to the current profits and losses measured by the equity method.

In the consolidated financial statements, the combination cost is the sum of the payment as at the date of purchase and the fair value of the equity of the acquiree as at the date of acquisition already held before the date of purchase. The equity of the purchased party as held before the date of purchase is remeasured at the fair value on the date of purchase of such equity, and the difference between the fair value and its book value is included in the current profits and losses; if the equity of the purchased party as held before the date of purchase is involved with other comprehensive incomes, the change of other owner's equity is transferred to the current income as at the date of purchase except the other comprehensive income arising from the change of the net liabilities or net assets due to the investee's remeasured and reset income plan.

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

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

6. Method of preparing consolidated financial statements

(1) Combination Scope

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

(2) Method of preparing consolidated financial statements

The consolidated financial statements are, on the basis of the financial statements of the Company and its subsidiaries, prepared by the Company. In preparation of the consolidated financial statements, the accounting policies and accounting period of the Company and its subsidiaries should be kept unified and the balance of the mutual significant transactions

and dealings should be offset.

During the reporting period, the subsidiaries and businesses added due to a business combination under the common control are deemed to be included in the Company's consolidation scope from the date when they are controlled by the eventual controlling party, and the operating results and cash flows commencing the date when they are controlled by the eventual controlling party are respectively included in the consolidated income statement and consolidated cash flow statement.

For the subsidiaries and businesses added due to business combinations not under the common control during the reporting period, the income, expenses, and profits of the subsidiaries and businesses from the purchase date to the end of the reporting period are included in the consolidated income statement, and their cash flows are included in the consolidated cash flow statement.

The part of the subsidiary's shareholder's equity that does not belong to the Company is presented separately as a minority shareholder's equity in the consolidated balance sheet under the shareholder's equity item; the item of "Minority Shareholders' Profit and Loss" is presented under the item of net profit in the consolidated profit statement. When the loss in a subsidiary shared by minority shareholders exceeds the share in the shareholders' equity enjoyable by the minority shareholders at the beginning of the reporting period, and its balance still writes down the minority shareholders' equity.

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

The difference between the long-term equity investment cost newly acquired due to the purchase of minority equity and the enjoyable net asset share of the subsidiaries that are continuously calculated from the date of purchase or the combination date calculated based on the proportion of the newly added shareholding, and without losing control, the difference between the disposal price obtained from the partial disposal of the equity investment in the subsidiary and the disposal of the long-term equity investment corresponding to the subsidiary's net asset share continuously calculated from the date of purchase or combination, both adjust the capital reserve (equity premium) in the consolidated balance sheet. If the capital reserve is insufficient to offset, adjust the retained earnings.

(4) Treatment of loss of control over a subsidiary

If the control of an original subsidiary is lost due to the disposal of part of the equity investment or other reasons, the remaining equity shall be remeasured according to its fair value on the date of loss of control; the difference formed between the sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the sum of the share of the book value of the original subsidiary's net assets calculated continuously from the date of purchase and the sum of the goodwill calculated based on the original shareholding ratio is counted to the return on investment in the very period when the control is lost.

Other comprehensive income related to the equity investment of the original subsidiary shall be transferred to the profit and loss of the period when the control is lost, except for other comprehensive income arising from changes in net liabilities or net assets of the investee's re-measurement of the defined income plan.

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

Joint venture arrangement refers to an arrangement that two or more participants jointly control. The Group classifies joint venture arrangements into joint management and joint venture.

(1) Joint management

Joint management refers to the joint venture arrangement that the Group enjoys the relevant assets of the arrangement and undertakes the relevant liabilities of the arrangement.

The Group confirms the following items related to the share of interests in joint management, and conducts accounting treatment in accordance with the relevant accounting standards for enterprises:

- A. to recognize the assets held separately, and recognize the assets held jointly by their shares;
- B. to recognize the liabilities borne individually and the liabilities borne jointly according to their share;
- C. to recognize the income generated from the sale of its share of joint management output;
- D. to recognize the income generated by the joint management from the sale of output according to its share;
- E. to recognize the expenses incurred separately, and recognize the expenses incurred in joint management according to their share.

(2) Joint Venture

Joint venture refers to the joint venture arrangement that the Group only enjoys rights to the net assets of the arrangement.

The Group accounts for the investment in joint ventures in accordance with the provisions of the equity method for long-term equity investments.

8. Standard for recognizing cash and cash equivalent

Cash refers to the cash in stock and the deposit in hand available for payment at any time. Cash equivalent refers to the investment held by the Group with short term, strong liquidity and low risk of value fluctuation that is easy to be converted into cash of known amount.

9. Foreign currency transactions and translation of foreign currency statements

(1) Foreign Currency Translation

At the time of recognition of foreign currency transaction in the Group, the amount in a foreign currency shall be translated into amount in the functional currency at the spot exchange rate of the transaction date.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate of the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period; a foreign currency non-monetary item measured at the historical costs shall still be translated at the spot exchange rate on the transaction date; non-monetary items in foreign currencies measured at fair value are translated at the spot exchange rate on the date when the fair value is determined, and the difference between the translated bookkeeping currency amount and the original bookkeeping currency amount is included in the current profit and loss.

(2) Translation of Foreign Currency Financial Statements

On the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date. The shareholders' equity items except for "retained earnings", other items are translated by using the spot exchange rate on the date of occurrence.

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

All items in the cash flow statement are translated at the spot exchange rate on the date of the cash flow. The impact of exchange rate changes on cash is regarded as an adjustment item, and the item "impact of exchange rate changes on cash and cash equivalents" is reflected separately in the cash flow statement.

The difference arising from the translation of financial statements is reflected in the "other comprehensive income" under the shareholders' equity of the balance sheet.

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

10. Financial instruments

Financial instruments refer to contracts that form one party's financial assets and other parties' financial liabilities or equity instruments.

(1) Recognition and derecognition of financial instruments

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

Where a financial asset meets any of the following requirements, it shall be stopped from recognition:

- ① where the contractual rights for collecting the cash flow of the said financial asset are terminated; or
- ② Where the said financial asset is transferred and it meets the conditions for recognizing the termination of the transfer of the following financial assets.

A financial liability may not be stopped from recognition in all or in part until the prevailing obligations of financial liabilities are all or partly dissolved. The Group (the debtor) and the creditor enter an agreement to substitute the existing financial liabilities in the manner of undertaking new financial liabilities, and the contract's articles of new financial liabilities and the existing financial liabilities are materially different, recognition on the existing liabilities is terminated and new liabilities are recognized synchronously.

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

(2) Classification and measurement of financial assets

The financial assets of the Group are classified into three categories at the initial recognition according to the business model of the Group's management of financial assets and the contractual cash flow characteristics of the financial assets: financial assets measured at amortized cost, financial assets measured at fair value and whose movement is counted in the other comprehensive income and financial assets measured at fair value and whose movement is counted in the current profit and loss.

Financial assets measured based on the amortized cost

The Group classifies financial assets that meet the following conditions and are not designated as financial assets measured at fair value and whose changes are included in the current profits and losses, as financial assets measured at amortized cost:

The business model of the Group to manage the financial assets is to collect contractual cash flow as the goal; According to the contractual terms of the financial asset, the cash flow created on the specific date is exclusively for payment of the principal and the interest based on the outstanding amount of the principal.

After the initial recognition, the actual interest rate method is used to measure such financial assets at amortized cost. The gains or losses arising from financial assets that are measured at amortized cost and are not part of any hedging relationship are included in the current profits and losses when they are terminated, amortized according to the effective interest method, or recognized as impairment.

Financial asset that is measured at fair value and whose change is included in other comprehensive income

The Group classifies financial assets that meet the following conditions and are not designated as financial assets measured at fair value and whose changes are included in the current profits and losses, as financial assets measured at fair value and whose change is included in other comprehensive income:

The Group's business model for managing this financial asset is aimed at both collecting contractual cash flow and selling the financial asset;

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

After the initial confirmation, the subsequent measurement of such financial assets shall be carried out at fair value. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method are included in the current profit and loss, and other gains or losses are included in other comprehensive income. When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in the current profit and loss.

The financial asset measured at fair values with the change counted to the current profit and loss

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

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

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

After the initial confirmation, the subsequent measurement of such financial assets shall be carried out at fair value. Dividend income that meets the conditions is included in profit and loss, and other profits or losses and changes in fair value are included in other comprehensive income. When the recognition 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.

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

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

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

Financial assets are measured at fair value at the initial recognition time. 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. For accounts receivable arising from the sale of products or the provision of labor services that do not contain or consider significant financing components, the amount of consideration that the Group expects to be entitled to receive is taken as the amount initially recognized.

(3) Classification and measurement of financial liabilities

At the time of initial recognition, the Group's financial liabilities are classified into: financial liabilities measured at fair value and whose changes are included in the current profit and loss and financial liabilities measured at amortized cost. For financial liabilities that are not classified as measured at fair value and whose changes are included in the current profit and loss, the relevant transaction costs are included in the the initially recognized amount.

The financial asset measured at fair values with the change counted to the current profit and loss

Financial liabilities measured at their fair values with the change included in the current profits and losses include

transactional financial liabilities, including transactional 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. This type of financial liability is subsequently measured at fair value, and the gains or losses arising from change of fair value and the dividends and interests related to such financial liabilities are included in the current profits and losses.

Financial liabilities measured based on the amortized cost

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

Financial guarantee contract

Financial guarantee contracts are not designated as financial liabilities measured at fair value with the change included in the current profit and loss. They are measured at fair value at the time of initial recognition, and subsequently measured based on the higher of the provision for the loss of the predicted liabilities determined by the expected credit loss model and the initially recognized amount less the balance of the accumulated amortization amount.

Distinction between financial liabilities and equity instruments

"Financial liabilities" refers to the liabilities which satisfy one of the following conditions:

- ① the contractual obligations to deliver cash or any other financial assets to any other entity;
- ② the contractual obligations to exchange with any other entity financial assets or financial liabilities under potentially unfavorable conditions;
- ③ the contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, whereby the enterprise will deliver an unfixed amount of equity instruments of its own according to the said contract;
- ④ the contractual obligations to non-derivative instruments which must be settled or may be settled by the enterprise with its own equity instruments in the future, but with the exception of the contractual obligations to the derivative instruments for which the enterprise will exchange for a fixed amount of its own equity instruments with a fixed amount of cash or any other financial assets.

“Equity instruments” refers to the contracts which can prove that a certain enterprise holds the surplus equities of the assets after all the debts have been deducted.

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

If a financial instrument needs to be settled with or can be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instrument used for settle that instrument is used as cash or the substitution of other financial asset or to make the instrument holder enjoy the residual equity in the asset with all liabilities deducted. If it is the former, the instrument is a financial liability of the Group; if it is the latter, the instrument is an equity instrument of the Group.

(4) Fair value of financial instrument

For the method for determining fair value of financial assets and financial liabilities, refer to Sections 10 and 11.

(5) Impairment of financial assets

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

Financial assets measured based on the amortized cost;

Receivables and debt investments that are measured at fair value and whose changes are included in other comprehensive income;

The contractual assets defined in Accounting Standards for Enterprises No. 14 – Revenues;

Lease receivables;

Financial guarantee contracts (with the exception of those formed with the financial assets measured with fair value and the change included in the current profit and loss and transfer of financial assets not satisfying the derecognition or continued to be involved in the transfer).

Measurement of expected credit losses

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 Group discounted at the original effective interest rate, that is, the present value of all cash shortages.

The Group confirms the expected credit loss by considering reasonable and evidenced information about past events, current conditions, forecasting the future economic conditions, taking the risk of default as the weight, calculating the probability weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received.

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

For financial instruments with lower credit risk on the balance sheet day, the Group assumes that its credit risk has not increased significantly since the initial recognition, and provision for loss is measured based on expected credit losses in the next 12 months.

Expected credit loss during the entire lifetime refers to the expected credit loss caused by all possible default events during the entire expected lifetime of a financial instrument. Expected credit losses in the next 12 months refer to the expected credit loss caused by default events of financial instruments that may occur within 12 months after the balance sheet date

(if the expected duration of the financial instrument is less than 12 months, it is then the expected duration). It is part of the expected credit losses in the entire duration.

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

For the financial instrument at the first stage or the second stage or with lower credit risk, the Group calculates the interest income based on book balance before deduction of the provision for impairment and the actual interest rate. For the financial instrument at the third stage, the Group calculates the interest income according to the book balance less the amortized cost after provision for the impairment and actual interest rate.

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

When the information of the expected credit loss of a single financing asset cannot be assessed with reasonable cost, The Group divides and combines notes receivable and accounts receivable based on credit risk characteristics, and calculates expected credit losses on the basis of the combination. The basis for determining the combination is as follows:

A. Notes receivable

Combination of notes receivable 1: Bank acceptance

Combination of notes receivable 2: Trade acceptance

B. Accounts receivable

Combination of accounts receivable 1: Accounts receivable from the related parties within the combination scope

Combination of accounts receivable 2:Accounts receivable from other customers

C. Contract assets

Combination of contract assets 1: Sales of products

For notes receivable and contract assets classified into portfolios, the Group refers to historical credit loss experience, with combination of current conditions and forecasts of future economic conditions, calculates expected credit losses based on the default risk exposure and the lifetime expected credit loss rate.

For accounts receivable divided into portfolios, the Group refers to historical credit loss experience, with combination of current conditions and forecasts of future economic conditions, and compiles a comparison table of accounts receivable age/days overdue and the expected credit loss rate for the entire duration, calculates the expected credit losses.

Other receivables

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

Combination of other receivables 1: Deposit and margin receivable

Combination of other receivables 2: Employee reserves receivable

Combination of other receivables 3: Advances for social security premium

Combination of accounts receivable 4: Accounts receivable from the related parties within the combination scope

Combination of other receivables 5: Other receivables

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

Equity investment and other equity investment

For debt investments and other debt investments, the Group calculates the expected credit loss based on the nature of the investment, the counterparty and various types of risk exposures, through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

Assessment of significant increase in credit risk

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

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

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

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

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

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

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

Financial assets with credit impairment already incurred

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

The issuer or debtor has experienced major financial difficulty;

The debtor has violated the contract, such as failure in or late payment of the interest or the principal;

The Group, 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;

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

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

Presentation of the provision for expected credit loss

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Group remeasures expected credit losses on each balance sheet date, and the resulting increase in loss provision or the amount reversed should be counted in the current profit and loss as impairment losses or gains. For financial assets measured at amortized cost, the provision for loss is offset against the book value of the financial asset listed in the balance sheet; for debt investments that are measured at fair value and whose changes are included in other comprehensive income, the Group recognizes the provision for loss in other comprehensive income without writing down the book value of the financial asset.

Written-off

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

The written-down financial assets are later on recovered, as the reversal of the impairment loss is included in the current profit and loss of the recovery period.

(6) Transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to a party other than the issuer of the financial asset (the transferee).

If substantially all of risks and remunerations on the ownership of the financial asset have been transferred to the transferee, the financial asset's recognition is terminated; if substantially all of risks and remunerations on the ownership of the financial asset are kept, the financial asset's recognition is not terminated;

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

(7) Offsetting of financial assets and financial liabilities

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

11. Notes receivable

For the detail, refer to Note V.10.

12. Accounts receivable

For the detail, refer to Note V.10.

13. Financing with accounts receivable

For the detail, refer to Note V.10.

14. Other receivables

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

For the detail, refer to Note V.10.

15. Inventories**(1) Classification of Inventories**

The Group classifies inventories into raw materials, products-in-process and commodity stocks.

(2) Price Measurement of Inventories Delivered

The Group's inventory is priced at actual cost when it is obtained. Raw materials and merchandise inventory are priced respectively according to the weighted average (with brand world watch stocks exclusive), specific identification (for famous brand watch stocks) at the time of delivery.

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

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

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

(4) Inventory system

The Group adopts the perpetual inventory system.

(5) Amortization of low-value consumption goods and packing materials.

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

16. Contract assets

For the detail, refer to Note V.10.

17. Contract cost

Contract costs include incremental costs incurred in obtaining contracts and their performance costs.

The incremental cost incurred in obtaining the contract refers to the cost that no cost may incur if the Group does not obtain the contract (such as sales commission, etc.) If the cost is expected to be recovered, the Group recognizes it as a contract acquisition cost as an asset. Other expenses incurred by the Group in order to obtain the contract, other than the incremental cost that is expected to be recovered, are included in the current profit and loss when incurred.

If the cost incurred to fulfill the contract does not fall within the scope of other accounting standards for enterprises such as inventory and meets the following conditions at the same time, the Group will recognize it as the contract performance cost as an asset:

- ① 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;
- ② The cost has increased the resource the Group shall use to fulfill its performance obligation in the future;
- ③ The cost is expected to be recoverable.

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

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

- ① The remaining consideration that the Group expects to obtain due to the transfer of goods or services related to the asset;
- ② Estimate the costs to incur for the transfer of the related goods or services.

The contract performance cost recognized as an asset with the amortization period not to exceed one year or a normal business cycle at the initial recognition is presented in the "inventory"; if the amortization period exceeds one year or a normal business cycle at the initial recognition, the same is presented in the "other non-current assets" .

The contract acquisition cost recognized as an asset with the amortization period not to exceed one year or a normal business cycle at the initial recognition is presented in the "other current assets"; if the amortization period exceeds one year or a normal business cycle at the initial recognition, the same is presented in the "other non-current assets" .

18. Classified as assets held for sale

Inapplicable

19. Equity investment

Inapplicable

20. Other equity investment

Inapplicable

21. Long term accounts receivable

Inapplicable

22. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates. If the Group is able to exert significant influence on an investee, the investee is an associated enterprise of the Group.

(1) Determination of the initial investment cost

Long term equity investment which forms business combination: for long-term equity investments obtained in a business combination under the common control, the book value share of the acquired owner' s equity in the ultimate controlling party' s consolidated financial statements on the combination date shall be used as the investment cost; for long-term equity investments obtained in a business combination not under the same control, the combined cost is regarded as the investment cost of long-term equity investment.

For long-term equity investments 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; for long-term equity investments obtained by issuing equity securities, the fair value of the issued equity securities shall be used as the initial investment cost.

(2) Subsequent measurement and recognition of gains and losses

Investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions for holding for sale; investments in associates and joint ventures are accounted for using the equity method.

For long-term equity investments accounted for by the cost method, in addition to the actual price paid when the investment is obtained or the cash dividends or profits declared but not yet paid is included in the consideration, the cash dividends or profits declared to be distributed by the investee are recognized as investment income and included in the current profit and loss.

For long-term equity investments accounted for by the equity method, if the initial investment cost is greater than the fair value of the investee' s identifiable net assets at the time of investment, the investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less than the investment and if the fair value share of distinguishable net asset in the invested entity is enjoyable, the book value of the long-term equity investment is adjusted, and the difference shall be included in the current profit and loss of the investment.

When the equity method is used for calculation, the net gains and losses realized by the investee and the share of the other comprehensive income enjoyable or sharable shall be respectively used to recognize the return on investment and other

comprehensive income and at the same time the book value of the long term equity investment is adjusted; according to the profit announced for distribution by the investee or the part of the cash dividend enjoyable upon calculation, the book value of the long term equity investment is reduced correspondingly. For other change in the net profit and loss, other comprehensive income and owner's equity other than the profit distribution, the book value of the long term equity investment is adjusted and counted to the capital reserve. 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 based on the accounting policy and accounting period of the Group.

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

If the joint control or significant influence on the investee is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall undergo accounting treatment according to "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments" instead on the day when joint control or significant influence is lost, and the difference between the fair value and the book value is included in the current profit and loss. The other comprehensive income from the original equity investment calculated and recognized by means of the equity method undergoes accounting treatment by using the same base as the investee directly disposes the relevant assets or liabilities when the calculation based on the equity method is terminated; all other changes in owner's equity related to the original equity investment are transferred to the current profit and loss.

In case the Group has lost the control over an investee due to disposal of partial equity, etc., the remaining equity after disposal can still implement joint control over or significant influence on the investee; the equity method is applied for calculation instead and the said remaining equity is adjusted as if the equity method was used for calculation commencing from the time of its acquisition; in case the remaining equity after the adjustment can no longer implement joint control over or significant influence on the investee, the accounting treatment shall be conducted according to the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments; the balance between the fair value as at the day of losing the control power and the book value is counted to the current gains and losses.

If the Company's shareholding ratio decreases due to the increase of capital by other investors, thereby losing control, but may exercise joint control or exert significant influence on the invested entity, the new shareholding ratio shall be used to confirm the Company's share of the invested entity due to the increase in capital; difference between the increase in the share of net assets due to share expansion and the original book value of the long-term equity investment corresponding to the decline in the shareholding ratio that should be carried forward is included in the current profit and loss; then, according to the new shareholding ratio, it is deemed that the equity method is used for accounting and adjustment when the investment is obtained.

The unrealized internal transaction gains and losses between the Group and associates and joint ventures are calculated based on the shareholding ratio attributable to the group, and the investment gains and losses are recognized on the basis of offset. However, the loss from no internal transaction between the Group and an investee shall not be offset if the loss belongs to impairment of the assets assigned.

(3) Determining the basis for joint control and significant influence on the investee

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

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. When determining whether it can exert a significant influence on the investee, consider that the investor directly or indirectly holds the voting shares of the investee and the current executable potential voting rights held by the investor and other parties. The impact of the equity of the company includes the impact of current convertible warrants, share options and convertible corporate bonds issued by the investee.

When the Company directly or indirectly through its subsidiaries owns more than 20% (including 20%) but less than 50% of the voting shares of the investee, it is generally considered to have a significant impact on the investee, unless there is clear evidence that under such situation the Company cannot participate in the production and operation decision-making of the invested entity resulting in no significant influence; when the Group owns less than 20% (excluding 20%) of the voting shares of the investee, it is generally not considered to have a significant impact on the investee unless there is clear evidence that under such a situation the Group can participate in the production and operation decision-making of the investee resulting in significant influence.

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

For investment in subsidiaries, associates and joint ventures, refer to Note V. 31 - method for provision for impairment of assets.

23. Investment real estate

Measurement model for investment real estate

Measured based on the cost method

Depreciation or amortization method

Investment real estate refers to the real estate held by the Company which creates rental or added value of capital or both, including housing and building already let out. The Group's investment real estate includes 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.

The Group's investment real estate is initially measured at the cost at the time of acquisition, and depreciation or amortization is accrued on schedule in accordance with the relevant regulations on fixed assets or intangible assets.

For investment real estate that adopts the cost model for subsequent measurement, refer to Note V. 31 - method of accruing asset impairment.

The balance of the income from disposal of investment based real estate, including sale, assignment, discarding or damage, after deduction of the book value and the relevant taxes. is counted to the current profit and loss.

The depreciation method of investment real estate is the same as the depreciation method of fixed assets. Refer to Note V.24.

24. Fixed asset

(1) Recognition of fixed assets

Fixed assets of the Group are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year. The economic benefits related to the fixed asset are likely to flow into the enterprise, and the cost of the fixed asset can be reliably measured before the fixed asset can be recognized. When fixed assets are acquired, they are initially measured at actual cost.

(2) Depreciation methods

Categories	Depreciation methods	Depreciation life	Residual rate	Yearly depreciation rate
Plant & buildings	Average service life method	20 -35	5.00	4.80%-2.70%
Machinery & equipment	Average service life 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%

Where, for fixed assets with provision for impairment, the accumulated amount of provision for impairment of fixed assets should also be deducted to determine the depreciation rate.

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

Inapplicable

25. Construction-in-progress

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

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

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

26. Borrowing Costs

(1) Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred to the Group 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. If the borrowing costs meet the following conditions at the same time, capitalization begins:

- ① 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;

② Borrowing costs have incurred;

③ 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

When the Group's 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. The borrowing costs incurred after the assets that meet the capitalization conditions reach the expected usable or saleable state, when incurred, are recognized as expenses based on the amount incurred and included in the current profit and loss.

If an asset that meets the capitalization conditions is abnormally interrupted during the acquisition, construction or production process, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended; the capitalization of borrowing costs during the normal interruption period shall continue.

(3) Borrowing cost capitalization rate and calculation method of capitalization amount

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

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

27. Biological Assets

Inapplicable

28. Oil and Gas Assets

Inapplicable

29. Use right assets

The assets the Company has the right to use mainly include houses and buildings.

On the starting date of the lease term, the Group recognizes its right to use the leased asset during the lease term as an asset with use right, including: the initial measurement amount of the lease liability; for lease payments paid on or before the starting date of the lease term, if there is a lease incentive, the amount of the lease incentive already enjoyed is deducted; initial direct expenses incurred by the lessee; the costs the lessee expects to incur for dismantling and removing the leased asset, restoring the site where the leased asset is located, or restoring the leased asset to the state agreed upon in the lease terms. The Company subsequently adopts the life average method to depreciate the assets 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.

When the Company remeasures the lease liability according to the present value of the lease payment after the change, and adjusts the book value of the asset with use right accordingly, if the book value of the asset with use right has been reduced to zero, but the lease liability still needs to be further reduced, and the Company will include the remaining amount in the current profit and loss.

30. Intangible assets

(1) Pricing Method, Service Life and Impairment Test

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

Intangible assets are initially measured at cost, and their useful lives are analyzed and judged when the intangible assets are acquired. If the service life is limited, from the time the intangible asset is available for use, an amortization method that reflects the expected realization method of the economic benefits related to the asset shall be adopted and amortized within the expected service life; if the expected realization method cannot be reliably determined, the straight-line method is used for amortization; intangible assets with uncertain service life are not amortized.

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

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

At the end of each year, the Group reviews the useful life and amortization method of intangible assets with a limited useful life. If it is different from the previous estimate, the original estimate is adjusted and the accounting estimate is changed.

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

Refer to Note V. 31 for the method of provision for impairment of intangible assets.

(2) Accounting policy for internal research and development expenditure

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

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

Expenditures in the development stage can be capitalized only if the following conditions are met at the same time, that is, it is technically feasible to complete the intangible asset so that it can be used or sold; it has the intention to complete the intangible asset and use or sell it; the way intangible assets generate economic benefits, including the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market, and the intangible assets will be used internally, which can prove their usefulness; there are sufficient technical, financial

and other resources to support to complete the development of the intangible asset, and have the ability to use or sell the intangible asset; the expenditure attributable to the development stage of the intangible asset can be reliably measured. Development expenditures that do not meet the above conditions are included in the current profit and loss.

The research and development projects of the Group will enter into the development stage after meeting the above conditions and passing through the technical feasibility and economic feasibility studies and the formation of the project. Capitalized expenditure on the development phase is presented as “development costs” in the balance sheet and shall be transferred to intangible assets when the project is completed to its intended use state.

31. Impairment of long term assets

Impairment of the assets, including long-term equity investment in subsidiaries, associates and joint ventures, investment real estate, fixed assets, construction in progress, intangible assets (excluding inventory, deferred income tax assets, financial assets) that are subsequently measured using the cost model is determined by the following method:

It is judged on the balance sheet date whether there are signs of possible impairment of assets. If there are signs of impairment, the Group will estimate its recoverable amount and conduct impairment test. For goodwill and the intangible assets formed in the business combination with the service life undetermined and the intangible assets which have not reached applicable status, regardless whether there exists sign of impairment, the Company makes impairment test every year.

The recoverable amount shall be determined according to the net amount of the fair value of an asset minus the disposal expenses, and the current value of the expected future cash flow of the asset, whichever is higher. The Group estimates its recoverable amount on the basis of a single asset; if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs. The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

When the recoverable amount of an asset or asset group is lower than its book value, the Group writes down its book value to the recoverable amount. The reduced amount is included in the current profit and loss, and the corresponding asset impairment provision is made at the same time.

As far as goodwill impairment test is concerned, the carrying value of the goodwill formed by enterprise merger is apportioned to the relevant asset group according to the reasonable method commencing from the date of acquisition; in case it is difficult to be apportioned to the relevant asset group, it is apportioned to the combination of the relevant asset groups. The relevant asset group or combination of asset groups are those which get benefit from the coordinative effect of enterprise consolidation but should not be greater than the reporting segment determined by the Group.

During the impairment testing, in case there exists impairment evidence in the goodwill related asset group or combination of asset groups, impairment testing should be first conducted on the asset group or combination of asset groups without goodwill and the recoverable amount is calculated, and the corresponding impairment loss is recognized. Then conduct an impairment test on the asset group or combination of asset groups that contains goodwill, and compare its book value with the recoverable amount. If the recoverable amount is lower than the book value, confirm the impairment loss of goodwill.

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

32. Long term expenses to be apportioned

The long-term expenses to be apportioned incurred to the Group are priced at actual cost and amortized evenly over the expected benefit period. For long-term expenses to be apportioned that cannot benefit the future accounting period, all the amortized value is included in the current profit and loss.

33. Contract liabilities

The Group's obligation to transfer goods or services to customers for consideration received or receivable from customers is regarded as contract liabilities.

34. Payroll to Employees

(1) Accounting treatment of short term salaries

During the accounting period when the employees provide services, the Group recognizes the actual wages, bonuses, medical insurance premiums, industrial injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid for the employees in accordance with the prescribed benchmarks and proportions. Liabilities are included in the current profit and loss or the cost of related assets. If the liability is not expected to be fully paid within twelve months after the end of the annual reporting period in which employees provide related services, and the financial impact is significant, the liability will be measured at the discounted amount.

(2) Post-employment benefits

Post-employment benefits include defined contribution plan and defined benefit plan. Where, the defined contribution plan refers to a post-employment benefit plan in which the enterprise no longer assumes further payment obligations after the fixed fee is paid to an independent fund; the defined benefit plan refers to a post-employment benefit plan other than the defined contribution plan.

Defined contribution plan

The defined contribution plans include basic pension insurance, unemployment insurance, enterprise annuity plans, etc.

In addition to basic pension insurance, the Group establishes an enterprise annuity plan ("annuity plan") in accordance with the relevant policies of the national enterprise annuity system, and employees can participate in the annuity plan voluntarily. Apart from this, the Group has no other major employee social security commitments.

During the accounting period in which the employees provide services, the amount of the deposit payable calculated according to the defined contribution plan is recognized as a liability and included in the current profit and loss or the cost of related assets.

Defined benefit plan

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

① Service costs, including current service costs, past service costs, and settlement gains or losses. Where, the current service cost refers to the increase in the present value of the defined benefit plan obligations caused by the employee's current provision of services; the past service cost refers to the increase or decrease of the present value of the obligation

of the defined benefit plan related to employee services in the previous period caused by the modification of the defined benefit plan.

② The net interest of the net liabilities or net assets of the defined benefit plan includes the interest income of the plan assets, the interest expense of the defined benefit plan obligations, and the interest affected by the asset ceiling.

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

Unless other accounting standards require or allow the cost of employee benefits to be included in the cost of assets, the Group will include the above items ① and ② in the current profit and loss; item ③ is included in other comprehensive income and will not be transferred back to profit or loss in the subsequent accounting period. When the original defined benefit plan is terminated, the part originally included in other comprehensive income will be carried forward to the retained earnings within the scope of equity.

(3) Dismissal welfare

If the Group provides dismissal benefits to employees, the employee compensation liabilities arising from the dismissal benefits is recognized at the earlier of the following two, and is included in the current profit and loss; when the Group cannot unilaterally withdraw the dismissal benefits provided due to the termination of the labor relationship plan or reduction proposal; when the Group confirms the costs or expenses related to the reorganization involving the payment of termination benefits.

If an employee's internal retirement plan is implemented, the economic compensation before the official retirement date refers to the dismissal benefit. From the day when the employee ceases to provide services to the normal retirement day, the wages and social insurance premiums paid for early retiring employees are included in the current profit and loss. Economic compensation after the official retirement date (such as regular old-age pension) shall be treated as post-employment benefits.

(4) Other long term employees' welfare

Other long-term employee benefits provided by the Group to employees that meet the conditions of the defined contribution plan shall be dealt with in accordance with the above-mentioned relevant provisions on the defined contribution plan. Those that meet the defined benefit plan shall be dealt with in accordance with the above-mentioned relevant regulations on defined benefit plans, but the "changes in the remeasured net liabilities or net assets of the defined benefit plan" in the relevant employee compensation costs shall be included in the current profit and loss or related cost of assets.

35. Lease liabilities

At the beginning of the lease term, the Company recognizes the present value of the outstanding lease payments as lease liabilities with short-term leases and leases of low-value assets exclusive. When calculating the present value of lease payments, the Company uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing interest rate is used as the discount rate. The Company calculates the interest expense of the lease liability during each period of the lease term in accordance with a fixed periodic interest rate, and includes it in the current profit and loss, unless otherwise specified in the cost of related assets. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss when they actually occur, unless otherwise specified in the cost of related assets.

After the starting date of the lease term, when the actual fixed payment changes, the expected amount payable of the

guarantee residual value changes, the index or ratio used to determine the lease payment changes, the purchase option, the renewal option, or the evaluation of the termination option when the result or actual exercise situation changes, the Company remeasures the lease liability according to the present value of the lease payment after the change.

36. Predicted liabilities

If the obligations related to the contingencies meet the following conditions at the same time, the Group shall recognize them as estimated liabilities:

(1) This obligation is the current obligation assumed by the Group;

(2) The performance of this obligation is likely to cause economic benefits to flow out of the Group;

(3) The amount of this obligation can be measured reliably.

The estimated liabilities are initially measured in accordance with the best estimate of the expenditure required to perform the relevant current obligations, and comprehensively consider factors such as risks, uncertainties and time value of money related to contingencies. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows. The Group reviews the book value of estimated liabilities on the balance sheet date and adjusts the book value to reflect the current best estimate.

If all or part of the expenses required to settle the confirmed estimated liabilities are expected to be compensated by a third party or other parties, the compensation amount can only be separately confirmed as an asset when it is basically certain that it can be received. The recognized compensation amount does not exceed the book value of the recognized liability.

37. Share-based payment

(1) Varieties of Share-based Payment

The Group classifies share-based payments into equity-settled share-based payments and cash-settled share-based payments.

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

The Group determines the fair value of the granted equity instruments such as options that exist in an active market based on the quoted prices in the active market. For equity instruments such as options for which there is no active market, the fair value of the equity instruments is determined using option pricing model. The selected option pricing model considers the following factors: A, the exercise price of the option; B, the validity period of the option; C, the current price of the underlying stock; D, the expected volatility of the stock price; E, the expected dividend of the stock; F, risk-free interest rate in the validity period of the option.

(3) Basis for confirming the best estimate of exercisable equity instruments

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

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

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 Group 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 Group 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 Group, 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.

When the Group makes amendments to the share-based payment plan, if the amendment increases the fair value of the equity instruments granted, the increase in the services obtained shall be correspondingly confirmed according to the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the fair value of the increased equity instruments shall be correspondingly recognized as an increase in services obtained. Increase of the fair value of the equity instrument refers to the difference between the fair value of the equity instrument on the amendment day before and after the amendment. If the modification reduces the total fair value of the share-based payment or adopts any other method unfavorable to the employees in amendment of the terms and conditions of the share payment plan, the service obtained will continue to undergo accounting treatment, unless the Group cancels part or all of the granted equity instruments.

If the Group cancels the granted equity instrument (except for those canceled due to non-market conditions that do not meet the exercisable conditions) during the vesting period, the Group 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 Group 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

(1) General Principle

The Group has fulfilled the performance obligations in the contract, that is, revenue is recognized when the customer obtains control of the relevant goods or services.

If the contract contains two or more performance obligations, the Group shall allocate the transaction price to each

individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the date of the contract. The transaction price of each individual performance obligation measures revenue.

When one of the following conditions is met, the Group is to perform its performance obligations within a certain period of time; otherwise, it is to perform its performance obligations at a certain point in time:

- ① Customers obtain and consume the economic benefits brought by the Group's performance at the same time as the Group's performance.
- ② Customers can control the products under construction during the performance of the Group.
- ③ The goods produced during the performance of the Group are irreplaceable in usage, and the Group has the right to receive payment for the cumulative performance portion of the contract that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the Group recognizes revenue in accordance with the performance progress during that period. When the performance progress cannot be reasonably determined, if the cost incurred by the Group is expected to be compensated, the revenue shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Group recognizes revenue at the point when the customer obtains control of the relevant goods or services. When determining whether a customer has obtained control of goods or services, the Group may consider the following signs:

- ① The Group enjoys the current right of payment for the goods or services, that is, the customer has the current payment obligation for the goods.
- ② The Group has transferred the legal ownership of the product to the customer, that is, the customer has the legal ownership of the product.
- ③ The Group has transferred the goods in kind to the customer, that is, the customer has taken possession of the goods in kind.
- ④ The Group has transferred the main risks and rewards of the ownership of the goods to the customers, that is, the customers have obtained the main risks and rewards of the ownership of the goods.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other signs that the customer has obtained control of the product.

The Group has transferred goods or services to customers and has the right to receive consideration (and the right depends on other factors other than the passage of time) as contract assets, and provision for impairment of contract assets is made on the basis of expected credit losses. The Group's unconditional (only depending on the passage of time)

right to collect consideration from customers is presented as accounts receivable. The Group's obligation to transfer goods or services to customers for consideration received or receivable from customers is regarded as contract liabilities.

The contract assets and contract liabilities under the same contract are presented in net amount. If the net amount is the debit balance, it shall be listed in the item of "contract assets" or "other non-current assets" according to its liquidity; If the net amount is the credit balance, it shall be presented in the "contract liabilities" or "other non-current liabilities" according to its liquidity.

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

① General sales

When the goods are dispatched, the receipt of the customer's receipt is obtained, and according to the sales contract signed by both parties, it is confirmed that the control of the goods has been transferred to the purchaser, and the sales revenue is recognized.

② Direct sales

a. Offline retail: Under the direct sales business model, sales revenue is recognized when the goods is sent out, the sales payment is received and the products are delivered to the customer.

b. Online retail: Under the e-commerce platform sales model, sales revenue is recognized when products are delivered and signed for reception by customers.

③ Mall Associates

Under the joint sales model, the Group recognizes revenue when products are delivered to customers, shop assistants issue small invoices to retail customers, customers accept acceptance and shopping malls collect payments.

④ Consignment sales

Under the consignment sales model, the Group recognizes revenue when it receives the sales list from the consignee and confirms that the control over the ownership of the goods has been transferred to the purchaser.

⑤ Consignment Sales

Under the consignment sales model, when the Group delivers external consignment products to customers and confirms that the control over the ownership of the goods has been transferred to the purchaser, the Group recognizes revenue based on the net method.

40. Government subsidies

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

Government subsidies for monetary assets are measured according to the amount received or receivable. Government subsidies for non-monetary assets shall be measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at a nominal amount of CNY 1.

Government subsidies related to assets refer to government subsidies obtained by the Group for purchase and

construction or to form long-term assets in other ways; otherwise, they are government subsidies related to income.

If the government documents do not clearly specify the subsidy object, and can form long-term assets, the part of the government subsidy corresponding to the asset value shall be regarded as the government subsidy related to the assets, and the remaining part shall be regarded as the government subsidy related to the income; if it is difficult to distinguish, the government subsidy as a whole is regarded as the government subsidy related to income.

The government subsidies related to assets, which offset the book value of related assets, or are recognized as deferred income, shall be included in profit and loss in installments according to a reasonable and systematic method during the useful life of the related assets. Government subsidies related to income, if used to compensate related costs or losses that have occurred, are included in the current profit and loss or offset related costs; if they are used to compensate for related costs or losses in subsequent periods, they are included in deferred income. In the period when the relevant costs or losses are recognized, they are included in the current profits and losses or offset the relevant costs. A government subsidy measured according to the nominal amount is directly recorded into the current profit and loss. The Group adopts the same method to deal with the same or similar government subsidy business.

A government subsidy related to the daily activities is included in other income or offset against related costs and expenses according to the nature of economic business. Government subsidies not related to daily activities are included in non-operating income and expenditure.

When the confirmed government subsidy needs to be returned, if the book value of the relevant asset is deducted at the time of initial confirmation, the book value of the asset is adjusted; if there exists a relevant deferred income balance, the carrying balance of the relevant deferred income should be written off, and the excess part is recorded into the current profit and loss; under other circumstances, it is directly recorded into the current profits and losses.

For the obtained policy-based preferential loan interest discount, if the finance allocates the interest-subsidized funds to the lending bank, the actual loan amount received is used as the entry value of the loan, and the borrowing cost is calculated according to the loan principal and the policy preferential interest rate. If the public finance directly allocates the interest discount fund to the Group, the interest discount will write down the borrowing cost.

41. Deferred income tax asset/deferred income tax liability

Income tax includes the current income tax and deferred income tax. Except for the adjusted goodwill arising from the business combination, or the deferred income tax related to the transaction or event directly included in the owner's equity, they are all included in the current profit and loss as the income tax expense.

The Group adopts the balance sheet debt method to recognize the deferred income tax based on the temporary difference between the book value of assets and liabilities on the balance sheet date and the tax base.

All taxable temporary differences are recognized as related deferred income tax liabilities, unless the taxable temporary differences are generated in the following transactions:

(1) The initial recognition of goodwill, or the initial recognition of assets or liabilities arising from a transaction with the following characteristics: the transaction is not a business combination, and the transaction does not affect accounting profits nor taxable income;

(2) For taxable temporary differences related to investments in subsidiaries, joint ventures and associates, the time for the reversal of the temporary differences can be controlled and the temporary differences may not be reversed in the foreseeable future.

For offsetable temporary differences, offsetable losses that can be carried forward to future years, and tax deductions, the Group is likely to obtain deductions for offsetable temporary differences, offsetable losses and tax deductions with the limitation of future taxable income, and the resulting deferred income tax assets are recognized, unless the offsetable temporary difference is generated in the following transactions:

(1) The transaction is not a business combination, and the transaction does not affect accounting profits nor taxable income;

(2) For offsetable temporary differences related to investments in subsidiaries, joint ventures and associates, and meet the following conditions at the same time, confirm the corresponding deferred income tax assets: temporary differences are likely to be reversed in the foreseeable future, and the taxable income that can be used to deduct temporary differences is likely to be obtained in the future.

On the balance sheet date, the Group measures the deferred income tax assets and deferred income tax liabilities at the tax rate applicable to the period during which the asset is expected to be recovered or the liability is settled, and reflects the income tax impact of the way the asset is expected to be recovered or the liability is settled on the balance sheet date.

The carrying amount of deferred income tax assets shall be reviewed at each balance sheet date. If it is probable that sufficient taxable profits will not be available in future to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

42. Lease

(1) Accounting process for operating lease

Original Lease Standard

When the Company is a lessee, during each period of lease term, the rent is included in the relevant asset cost or recognized as the current profit and loss according to the straight-line method, and the initial direct expenses incurred are directly included in the current profit and loss. Contingent rental is recorded in the current profit and loss when it actually incurs.

When the Company is a lessor, during each period of lease term, the rent is recognized as the current profit and loss according to the straight-line method. The initial direct costs incurred are directly included in the current profit and loss except for the larger amount which is capitalized and included in the profit and loss in the very period. Contingent rental is recorded in the current profit and loss when it actually incurs.

The new standards for lease (commencing from January 2, 2021)

1.Lessee

When the Company is a lessee, at the beginning of the lease period, in addition to short-term leases and low-value asset leases subject to simplified treatment, the Company recognizes the lease as the use right asset and lease liability.

After the starting date of the lease term, the Company adopts the cost model for subsequent measurement of the asset with use right. Depreciation of assets with use right is provided in accordance with the provisions concerning depreciation of the “Accounting Standards for Enterprises No. 4—Fixed Assets” . If the lessee can be reasonably determined to obtain the ownership of the leased asset at the expiration of the lease term, depreciation should be provided 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, depreciation should be provided during the shorter period of the lease term and the remaining useful life of the leased asset. The Company determines whether an asset with use right is impaired in accordance with the “Accounting Standards for Enterprises No. 8-Asset Impairment” and conducts accounting treatment of the identified impairment loss.

The Company calculates the interest expense of the lease liability during each period of the lease term in accordance with a fixed periodic interest rate, and includes it in the current profit and loss. That which should be included in the relevant asset cost in accordance with other standards, such as “Accounting Standards for Enterprises No. 17-Borrowing Costs” should be included in the cost of relevant assets, follow those provisions.

For short-term leases and low-value asset leases, the Company chooses the assets and lease liabilities with the use right not recognized and records the lease payment amount of the short-term leases and low-value asset leases in the relevant asset cost or current profit and loss according to the straight-line basis during different periods of the lease term.

2.Lessor

As the lessor, the Company adopts the straight-line method during each period of the lease term to recognize the lease receipts from operating leases as rental income. Capitalize the initial direct costs incurred in relation to operating leases, amortize them on the same basis as the confirmation of rental income during the lease term, and include them in the current profit and loss periodically.

For fixed assets in operating lease assets, the Company should use the depreciation policy for similar assets for depreciation; for other operating lease assets, it shall use systematic and reasonable method for amortization in accordance with the applicable accounting standards for enterprises for the assets. The Company determines whether an asset with use right is impaired in accordance with the “Accounting Standards for Enterprises No. 8-Asset Impairment” and conducts accounting treatment of the identified impairment loss.

(2) Accounting treatment method for finance lease

Original Lease Standard

As a lessee, at the starting date of lease period, the Company recognizes the lower of the fair value of the lease asset at the beginning of the lease and the present value of the minimum amount of rent payment as the entry value of rent asset; takes the minimum rent payment as the entry value of long term account payable and its balance as the unrecognized financial charges; the initial direct expenses incurred is recorded in the value of lease assets. In each period of the lease term, the actual interest rate method is used to calculate and recognize the current financing costs.

As a lessor, at the starting date of lease period, the Company takes the sum of the minimum amount of the rent collected at the beginning of the lease and the initial direct expense as the entry value of the finance lease receivable and at the same time records the unsecured residual value; the recognizes the balance of the sum of the minimum rent collection amount, initial direct expenses and unsecured residual value and the sum of its present value as the unrealized financing income. In

each period of the lease term, the actual interest rate method is used to calculate and recognize the current financing income.

The new standards for lease (commencing from January 2, 2021)

1.Lessee

When the Company is a lessee, at the beginning of the lease period, in addition to short-term leases and low-value asset leases subject to simplified treatment, the Company recognizes the lease as the use right asset and lease liability.

After the starting date of the lease term, the Company adopts the cost model for subsequent measurement of the asset with use right. Depreciation of assets with use right is provided in accordance with the provisions concerning depreciation of the “Accounting Standards for Enterprises No. 4—Fixed Assets” . If the lessee can be reasonably determined to obtain the ownership of the leased asset at the expiration of the lease term, depreciation should be provided 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, depreciation should be provided during the shorter period of the lease term and the remaining useful life of the leased asset. The Company determines whether an asset with use right is impaired in accordance with the “Accounting Standards for Enterprises No. 8-Asset Impairment” and conducts accounting treatment of the identified impairment loss.

The Company calculates the interest expense of the lease liability during each period of the lease term in accordance with a fixed periodic interest rate, and includes it in the current profit and loss. That which should be included in the relevant asset cost in accordance with other standards, such as “Accounting Standards for Enterprises No. 17-Borrowing Costs” should be included in the cost of relevant assets, follow those provisions.

For short-term leases and low-value asset leases, the Company chooses the assets and lease liabilities with the use right not recognized and records the lease payment amount of the short-term leases and low-value asset leases in the relevant asset cost or current profit and loss according to the straight-line basis during different periods of the lease term.

2.Lessor

As a lessor, the Company recognizes the receivable funds for financial leasing at the starting date of the lease period, terminates the recognition of the financial lease asset, and calculates and recognizes the interest income during each period of the lease term according to a fixed periodic interest rate.

43. Other important accounting policy and accounting estimate

Repurchase of shares

The shares repurchased by the Company before cancellation or transfer of the shares are managed as treasury stock and all the payments for the repurchased shares are converted into the cost of treasury stock. The consideration and transaction costs paid in repurchase of shares reduce the owner’s equity. When repurchasing, transferring or canceling the Company’s shares, no profit or loss is recognized.

When transferring treasury shares, the difference between the actual amount received and the book value of the treasury shares is included in the capital reserve. If the capital reserve is insufficient to offset, the surplus reserve and retained earnings shall be used for offsetting. For the cancellation of treasury shares, the share capital shall be reduced according to the book value of the shares and the number of shares canceled, and the capital reserve shall be offset based on the

difference between the book balance and the book value of the canceled treasury shares. If the capital reserve is insufficient to offset, the surplus reserve and retained earnings shall be used for offsetting.

44. Changes in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

Contents and causes of the change in accounting policies	Examination and approval procedures	Remarks
On December 7, 2018, the Ministry of Finance issued the "Notice on Revising and Issuing the "Accounting Standards for Enterprises No. 21-Leases" (Cai Kuai [2018] No. 35) (hereinafter referred to as the "New Lease Standards")	Reviewed and approved at the 27th session of the Ninth Board of Directors.	About the affected items and amount of the statements, refer to (3) of this section.

In accordance with the standard convergence provisions, the Company retrospectively adjusted the retained earnings at the beginning of 2021 and the amount of other related items in the financial statements based on the difference between the new lease standard and the current lease standard on the date of first implementation, and no adjustment is made to the comparable period information.

(2) Change in significant accounting estimates

Inapplicable

(3) The Company started implementing the updated standards for lease commencing from 2021 and adjusted the relevant items of the financial statements at the beginning of the very year involved in the initial implementation of the said standards

Applicable

Is it necessary to adjust the items of the balance sheet at the year beginning

Yes

Consolidated Balance Sheet

In CNY

Items	December 31, 2020	January 01, 2021	Amount involved in the adjustment
Current assets:			
Monetary capital	353,057,285.71	353,057,285.71	
Settlement reserve			
Inter-bank lending			
Transactional financial assets			
Derivative financial assets			
Notes receivable	48,192,442.15	48,192,442.15	
Accounts receivable	475,598,684.88	475,598,684.88	
Financing with accounts receivable			
Advance payment	16,612,773.76	16,612,773.76	
Receivable premium			

Reinsurance accounts receivable			
Reserve for reinsurance contract receivable			
Other receivables	52,902,779.63	52,902,779.63	
Including: Interest receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	1,931,780,185.85	1,931,780,185.85	
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	75,935,141.76	73,796,501.05	-2,138,640.71
Total current assets	2,954,079,293.74	2,951,940,653.03	-2,138,640.71
Non-current assets:			
Loan issuing and advance in cash			
Equity investment			
Other equity investment			
21. Long term accounts receivable			
Long-term equity investments	51,400,665.92	51,400,665.92	
Investment in other equity instruments	85,000.00	85,000.00	
Other non-current financial assets			
Investment-oriented real estate	398,086,447.78	398,086,447.78	
Fixed assets	352,734,280.76	352,734,280.76	
Construction-in-progress			
Productive biological asset			
Oil and Gas Assets			
Use right assets		170,138,212.72	170,138,212.72
Intangible assets	37,859,316.51	37,859,316.51	
Development expenses			
Goodwill			
Long term expenses to be apportioned	130,017,587.99	130,017,587.99	
Deferred income tax asset	80,913,800.35	80,913,800.35	
Other non-current assets	13,536,307.13	13,536,307.13	
Total non-current assets	1,064,633,406.44	1,234,771,619.16	170,138,212.72
Total assets	4,018,712,700.18	4,186,712,272.19	167,999,572.01

Current liabilities:			
Short term borrowings	542,673,278.09	542,673,278.09	
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable	3,581,360.00	3,581,360.00	
Accounts payable	301,211,515.39	301,211,515.39	
Advance receipt	9,991,850.67	9,991,850.67	
Contract liabilities	18,213,396.49	18,213,396.49	
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	132,853,462.20	132,853,462.20	
Taxes payable	68,925,271.90	68,925,271.90	
Other payables	128,577,597.94	128,577,597.94	
Including: interest payable			
Dividends payable	1,639,513.77	1,639,513.77	
Service charge and commission payable			
Payable reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within a year	370,030.00	96,546,555.48	96,176,525.48
Other current liabilities	2,299,755.09	2,299,755.09	
Total current liabilities	1,208,697,517.77	1,304,874,043.25	96,176,525.48
Non-current liabilities:			
Reserve for insurance contract			
Long-term borrowings	4,070,330.00	4,070,330.00	
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities		76,142,342.03	76,142,342.03
Long-term accounts payable			
Long term payroll payable to the employees			
Estimated liabilities			
Deferred income	2,916,346.43	2,916,346.43	

Deferred income tax liability	3,067,834.55	3,067,834.55	
Other non-current liabilities			
Total non-current liabilities	10,054,510.98	86,196,853.01	76,142,342.03
Total liabilities	1,218,752,028.75	1,391,070,896.26	172,318,867.51
Owner' s equity:			
Capital stock	428,091,881.00	428,091,881.00	
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserve	1,021,490,387.78	1,021,490,387.78	
Less: shares in stock	61,633,530.48	61,633,530.48	
Other comprehensive income	976,871.41	976,871.41	
Special reserve			
Surplus Reserve	246,531,866.87	246,531,866.87	
Provision for general risks			
Retained earnings	1,164,490,911.51	1,160,171,616.01	-4,319,295.50
Total owners' equity attributable to the parent company	2,799,948,388.09	2,795,629,092.59	-4,319,295.50
Minority shareholders' equity	12,283.34	12,283.34	
Total owner' s equity	2,799,960,671.43	2,795,641,375.93	-4,319,295.50
Total liabilities and owners' equity	4,018,712,700.18	4,186,712,272.19	167,999,572.01

Note to the Adjustment

The Company has implemented the new lease standards for the first time since January 1, 2021. In 2021, in accordance with the requirements of the new lease standards, the opening balance of lease-related assets has been adjusted to the asset of use right and lease liabilities.

Balance Sheet, Parent Company

In CNY

Items	December 31, 2020	January 01, 2021	Amount involved in the adjustment
Current assets:			
Monetary capital	292,055,169.74	292,055,169.74	
Transactional financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	1,464,798.79	1,464,798.79	
Financing with accounts receivable			
Advance payment			
Other receivables	621,512,680.69	621,512,680.69	
Including: Interest receivable			
Dividends receivable			
Inventories			

Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	11,655,617.82	11,655,617.82	
Total current assets	926,688,267.04	926,688,267.04	
Non-current assets:			
Equity investment			
Other equity investment			
Long term accounts receivable			
Long-term equity investments	1,529,415,188.28	1,529,415,188.28	
Investment in other equity instruments	85,000.00	85,000.00	
Other non-current financial assets			
Investment-oriented real estate	323,296,494.84	323,296,494.84	
Fixed assets	224,709,747.39	224,709,747.39	
Construction-in-progress			
Productive biological asset			
Oil and Gas Assets			
Use right assets			
Intangible assets	27,347,950.13	27,347,950.13	
Development expenses			
Goodwill			
Long term expenses to be apportioned	11,980,697.97	11,980,697.97	
Deferred income tax asset	1,380,180.94	1,380,180.94	
Other non-current assets	473,312.35	473,312.35	
Total non-current assets	2,118,688,571.90	2,118,688,571.90	
Total assets	3,045,376,838.94	3,045,376,838.94	
Current liabilities:			
Short term borrowings	400,425,930.05	400,425,930.05	
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	1,481,135.49	1,481,135.49	
Advance receipt	9,991,850.67	9,991,850.67	
Contract liabilities	37,735.85	37,735.85	
Payroll payable to the employees	25,256,531.70	25,256,531.70	
Taxes payable	2,778,265.84	2,778,265.84	
Other payables	240,824,305.37	240,824,305.37	
Including: interest payable			

Dividends payable	1,639,513.77	1,639,513.77	
Held-for-sale liabilities			
Non-current liabilities due within a year			
Other current liabilities	2,264.15	2,264.15	
Total current liabilities	680,798,019.12	680,798,019.12	
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	2,377,718.35	2,377,718.35	
Deferred income tax liability			
Other non-current liabilities			
Total non-current liabilities	2,377,718.35	2,377,718.35	
Total liabilities	683,175,737.47	683,175,737.47	
Owner' s equity:			
Capital stock	428,091,881.00	428,091,881.00	
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital reserve	1,027,145,928.88	1,027,145,928.88	
Less: shares in stock	61,633,530.48	61,633,530.48	
Other comprehensive income			
Special reserve			
Surplus Reserve	246,531,866.87	246,531,866.87	
Retained earnings	722,064,955.20	722,064,955.20	
Total owner' s equity	2,362,201,101.47	2,362,201,101.47	
Total liabilities and owners' equity	3,045,376,838.94	3,045,376,838.94	

(4) Note to the retroactive adjustment of the previous comparative data according to the new standards for lease initially implemented from 2021

Inapplicable

45. Others

Inapplicable

VI. Taxation

1. Types of major taxes and tax rates

Type of taxes	Tax basis	Tax rates
Value-added tax	Taxable income	13%, 9%, 6% and 5%
Consumption tax	Taxable income	20%
Urban maintenance and construction tax	Amount of turnover tax payable	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
The Company	25.00%
Shenzhen Harmony World Watches Center Co., Ltd. (HARMONY)	25.00%
Shenzhen FIYTA Precision Technology Co., Ltd. (Precision Technology Co.)	15.00%
FIYTA (Hong Kong) Limited (FIYTA HK)	16.50%
Shenzhen FIYTA Technology Development Co., Ltd. (Technology Development Co.)	15.00%
Shiyuehui Boutique (Shenzhen) Co., Ltd. (Shiyuehui)	25.00%
Shenzhen Harmony E-Commerce Limited (Harmony E-Commerce)	20.00%
Emile Chouriet (Shenzhen) Limited (Emile Choureit Shenzhen)	25.00%
FIYTA Sales Co., Ltd. (The Sales Co.)	25.00%
Liaoning Hengdarui Commerce & Trade Co., Ltd. (Hengdarui)	25.00%
Montres Chouriet SA (the Swiss Co.)	30.00%
Shenzhen XUNHANG Precision Technology Co., Ltd. (XUNHANG Co.)	25.00%
Harmony World Watches Center (Hainan) Co., Ltd. (HARMONY Hainan)	15.00%

2. Tax Preferences

(1) According to Notice of the Ministry of Finance and the State Administration of Taxation on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses (Notice of the Ministry of Finance and the State Administration of Taxation 2021 No. 13), the R & D expenses arising from development of new technology, new products and new process in Precision Technology and Technology Development which have not formed intangible assets and counted to the current profit and loss shall be subject to weighted pre-tax deduction by 100% of the amount actually incurred commencing from January 1, 2021 based on the actual deduction according to the regulations.

(2) Precision Technology Co. and Technology Development Co. may enjoy the “income tax rate exclusion of high-tech enterprises key supported by the state” .

(3) In accordance with the relevant provisions of the Announcement of the Ministry of Finance and the State Taxation Administration on Matters Concerning the Implementation of Preferential Income Tax Policies Supporting the Development of Small Low-Profit Enterprises and Individual Industrial and Commercial Households (Announcement of the Ministry of Finance and the State Administration of Taxation 2021 No. 12), for the part of small and low-profit enterprises (e-commerce companies) whose annual taxable income does not exceed CNY 1 million, in addition to the preferential policy as specified in Article 2 of the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (CAI SHUI (2019)No.13), the business income tax shall be paid at the further reduced rate of 50%.

Notes receivable for which bad debt reserve has been provided based on portfolios	56,657,79 5.58	100.00%	2,135,946 .96	3.77%	54,521,84 8.62	49,843,96 7.32	100.00%	1,651,525.1 7	3.31%	48,192,44 2.15
Where										
Bank acceptance	13,039,17 2.34	23.01%			13,039,17 2.34	16,813,46 4.36	33.73%			16,813,46 4.36
Trade acceptance	43,618,62 3.24	76.99%	2,135,946 .96	4.90%	41,482,67 6.28	33,030,50 2.96	66.27%	1,651,525.1 7	5.00%	31,378,97 7.79
Total	56,657,79 5.58	100.00%	2,135,946 .96	3.77%	54,521,84 8.62	49,843,96 7.32	100.00%	1,651,525.1 7	3.31%	48,192,44 2.15

Individual provision for bad and doubtful debts:

Inapplicable

Provision for bad and doubtful debts based on portfolio: trade acceptance

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Trade acceptance	43,618,623.24	2,135,946.96	4.90%
Total	43,618,623.24	2,135,946.96	--

Note to the basis for determining the combination:

Inapplicable

Provision for bad and doubtful debts based on portfolio: Bank acceptance

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Bank acceptance	13,039,172.34		
Total	13,039,172.34		--

Note to the basis for determining the combination:

Inapplicable

Provision for bad and doubtful debts based on portfolio:

Inapplicable

Provision for bad and doubtful debts based on portfolio:

Inapplicable

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	Amount recovered or reversed	Written-off	Others	
Notes receivable	1,651,525.17	484,421.79				2,135,946.96
Total	1,651,525.17	484,421.79				2,135,946.96

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
Trade acceptance	0	7,013,609.04
Total	0	7,013,609.04

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

Inapplicable

(6) Notes receivable actually written off in current period

Inapplicable

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

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable for which bad debt reserve has been provided based on individual items	45,854,918.07	8.68%	20,784,770.01	45.33%	25,070,148.06	21,208,447.13	4.16%	19,133,975.43	90.22%	2,074,471.70
Where										
Accounts receivable	45,854,918.07	8.68%	20,784,770.01	45.33%	25,070,148.06	21,208,447.13	4.16%	19,133,975.43	90.22%	2,074,471.70

from other customers	8.07		0.01		8.06	7.13		5.43		
Accounts receivable for which bad debt reserve has been provided based on portfolios	482,713,896.57	91.32%	14,433,367.37	2.99%	468,280,529.20	488,240,164.32	95.84%	14,715,951.14	3.01%	473,524,213.18
Where										
Accounts receivable from other customers	482,713,896.57	91.32%	14,433,367.37	2.99%	468,280,529.20	488,240,164.32	95.84%	14,715,951.14	3.01%	473,524,213.18
Total	528,568,814.64	100.00%	35,218,137.38	6.66%	493,350,677.26	509,448,611.45	100.00%	33,849,926.57	6.64%	475,598,684.88

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	45,854,918.07	20,784,770.01	45.33%	Small possibility of recovery as predicted
Total	45,854,918.07	20,784,770.01	--	--

Individual provision for bad and doubtful debts:

Inapplicable

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	482,713,896.57	14,433,367.37	2.99%
Total	482,713,896.57	14,433,367.37	--

Note to the basis for determining the combination:

Inapplicable

Provision for bad and doubtful debts based on portfolio:

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)	505,202,937.24

1 to 2 years	10,502,650.24
2 to 3 years	6,741,191.06
Over 3 years	6,122,036.10
3 to 4 years	3,888,023.85
4 to 5 years	953,707.55
Over 5 years	1,280,304.70
Total	528,568,814.64

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Written-off	Others	
Accounts receivable from other customers	33,849,926.57	2,347,869.39	976,332.27	0	-3,326.31	35,218,137.38
Total	33,849,926.57	2,347,869.39	976,332.27	0	-3,326.31	35,218,137.38

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

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Description of Unit	Ending balance of the accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of the provision for bad debts
Accounts receivable owed by the top five customer debtors based on the ending balance	117,790,202.46	22.28%	4,178,394.78
Total	117,790,202.46	22.28%	

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

Inapplicable

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

Inapplicable

6. Financing with accounts receivable

Inapplicable

7. Advance payments**(1) Advance payments are presented based on ages**

In CNY

Aging	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	17,014,006.71	100.00%	16,612,773.76	100.00%
Total	17,014,006.71	--	16,612,773.76	--

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 of the ending balance collected based on the payees of the advance payment

The total amount of advance payment to the top five payees of the ending balance collected based on the payees of the advance payment was CNY 7,873,293.29, taking 46.28% of the total ending balance of the advance payment.

(8) Other receivables

In CNY

Items	Ending balance	Opening balance
Other receivables	61,004,359.97	52,902,779.63
Total	61,004,359.97	52,902,779.63

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

Inapplicable

2) Significant overdue interest

Inapplicable

3) Provision for bad debts

Inapplicable

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

Inapplicable

2) Significant dividends receivable with age exceeding 1 year

Inapplicable

3) Provision for bad debts

Inapplicable

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

In CNY

Nature of Payment	Ending book balance	Opening book balance
Reserve	5,304,012.62	2,438,803.09
Security deposit	50,542,710.78	45,981,846.00
Employees' social security premium reimbursed	494,186.13	792,711.42
Others	8,879,314.85	7,726,146.03
Total	65,220,224.38	56,939,506.54

2) Provision for bad debts

In CNY

Bad debt reserve	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, 2021	2,369,057.01		1,667,669.90	4,036,726.91
Balance as at January 1, 2021 in the reporting period	---	---	---	---
Provision in the reporting period	179,137.50		0	179,137.50
Other changes	-212.19		0	-212.19
Balance as at June 30, 2021	2,548,194.51		1,667,669.90	

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)	63,765,972.60
1 to 2 years	865,591.15
2 to 3 years	595.63
Over 3 years	588,065.00
3 to 4 years	0.00
3 to 5 years	0.00
Over 5 years	588,065.00

Total	65,220,224.38
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3) Bad debt provision accrual, received or reversed in the reporting period

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Written-off	Others	
Bad debt reserve	4,036,726.91	218,513.64	39,163.95		-212.19	4,215,864.41
Total	4,036,726.91	218,513.64	39,163.95		-212.19	4,215,864.41

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

Inapplicable

4) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Description of Unit	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Accounts receivable owed by the top five debtors based on the ending balance	Collateral, deposit, etc.	11,736,193.18	Within 1 year	17.99%	586,809.66
Total	--	11,736,193.18	--	17.99%	586,809.66

6) Accounts receivable involving government subsidy

Inapplicable

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

Inapplicable

8) Amount of assets and liabilities formed through transfer of 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	171,237,349.97	18,664,834.02	152,572,515.95	179,270,879.56	19,017,726.57	160,253,152.99
Products in process	11,073,464.10	0	11,073,464.10	12,570,005.95	0	12,570,005.95
Commodities in stock	1,930,724,116.19	80,160,717.38	1,850,563,398.81	1,837,664,688.01	78,707,661.10	1,758,957,026.91
Total	2,113,034,930.26	98,825,551.40	2,014,209,378.86	2,029,505,573.52	97,725,387.67	1,931,780,185.85

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

In CNY

Items	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	19,017,726.57	0		237,447.08	115,445.47	18,664,834.02
Commodities in stock	78,707,661.10	1,463,809.76		0	10,753.48	80,160,717.38
Total	97,725,387.67	1,463,809.76		237,447.08	126,198.95	98,825,551.40

(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
Input VAT to be offset	37,488,179.03	59,218,711.69
Income tax paid in advance	11,464.27	25,684.51
Others	9,787,581.80	14,552,104.85
Total	47,287,225.10	73,796,501.05

14. Equity investment

Inapplicable

15. Other equity investment

Inapplicable

16. Long term accounts receivable**(1) About long term accounts receivable**

Inapplicable

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

Inapplicable

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

Inapplicable

17. Long-term equity investments

In CNY

Investees	Opening balance (book value)	Increase/ Decrease (+ / -) in the reporting period								Ending balance (book value)	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai Watch Industry Co., Ltd. (Shanghai Watch)	51,400,665.92			1,629,328.24						53,029,994.16	

Sub-total	51,400,66 5.92			1,629,328. 24						53,029,99 4.16
Total	51,400,66 5.92			1,629,328. 24						53,029,99 4.16

18. Investment in other equity instruments

In CNY

	Ending balance	Opening balance
Shenzhen CATIC Culture Communication Co., Ltd.	0	0
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 based real estate**(1) Investment property measured based on the cost method**

In CNY

Items	Plant and buildings	Land use right	Construction-in-progress	Total
I. Original book value				
1. Opening balance	609,605,406.79			609,605,406.79
2. Increase in the reporting period				
(1) Purchased				
(2) Inventories/fixed assets/construction-in process transferred in				
(3) Increase of enterprise consolidation				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	609,605,406.79			609,605,406.79
II. Accumulative depreciation and accumulative amortization				

1. Opening balance	211,518,959.01			211,518,959.01
2. Increase in the reporting period	7,700,106.36			7,700,106.36
(1) Provision or amortization	7,700,106.36			7,700,106.36
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	219,219,065.37			219,219,065.37
III. Provision for impairment				
1. Opening balance				
2. Increase in the reporting period				
(1) Provision				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance				
IV. Book value				
1. Book value at the end of the reporting period	390,386,341.42			390,386,341.42
2. Book value at the beginning of the reporting period	398,086,447.78			398,086,447.78

(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	350,973,834.39	352,734,280.76
Total	350,973,834.39	352,734,280.76

(1) About fixed assets

In CNY

Items	Plant & buildings	Machinery & equipment	Motor vehicle	Electronic equipment	Others	Total
I. Original book value						
1. Opening balance	399,020,198.97	101,896,803.98	15,166,013.42	45,435,251.53	45,782,206.31	607,300,474.21
2. Increase in the reporting period	9,624,523.09	946,483.28	549,108.35	1,317,843.60	743,336.81	13,181,295.13
(1) Purchase	9,624,523.09	946,483.28	549,108.35	1,317,843.60	743,336.81	13,181,295.13
(2) Construction-in-process transferred in						
(3) Increase of business combination						
3. Amount decreased in the reporting period	2,142,434.06	1,048,238.10	1,063,923.00	897,565.89	262,101.88	5,414,262.93
(1) Disposal or scrapping			1,063,923.00	827,972.46	201,157.51	2,093,052.97
(2) Others	2,142,434.06	1,048,238.10		69,593.43	60,944.37	3,321,209.96
4. Ending balance	406,502,288.00	101,795,049.16	14,651,198.77	45,855,529.24	46,263,441.24	615,067,506.41
II. Accumulative depreciation						
1. Opening balance	111,755,686.24	56,383,949.04	13,429,376.63	34,165,037.86	38,832,143.68	254,566,193.45
2. Increase in the reporting period	6,118,013.36	3,859,292.50	210,986.77	2,092,250.62	1,135,541.03	13,416,084.28
(1) Provision	6,118,013.36	3,859,292.50	210,986.77	2,092,250.62	1,135,541.03	13,416,084.28
3. Amount decreased in the reporting period	1,123,885.90	678,105.04	1,010,726.85	848,016.88	227,871.04	3,888,605.71
(1) Disposal or scrapping			1,010,726.85	799,831.33	172,835.57	1,983,393.75
(2) Others	1,123,885.90	678,105.04		48,185.55	55,035.47	1,905,211.96
4. Ending balance	116,749,813.70	59,565,136.50	12,629,636.55	35,409,271.60	39,739,813.67	264,093,672.02
III. Provision for impairment						
1. Opening						

balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal or scrapping						
4. Ending balance						
IV. Book value						
1. Book value at the end of the reporting period	289,752,474.30	42,229,912.66	2,021,562.22	10,446,257.64	6,523,627.57	350,973,834.39
2. Book value at the beginning of the reporting period	287,264,512.73	45,512,854.94	1,736,636.79	11,270,213.67	6,950,062.63	352,734,280.76

(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 property ownership certificate has not been granted
Office occupancy of Harbin Office	230,978.57	There existed problem in ownership

(5) Disposal of fixed assets

Inapplicable

22. Construction-in-progress

Inapplicable

(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. Use right assets

In CNY

Items	Housing and buildings	Total
I. Original book value		
1. Opening balance	264,657,797.63	264,657,797.63
2. Increase in the reporting period	28,291,257.85	28,291,257.85
3. Amount decreased in the reporting period	10,779,708.54	10,779,708.54
4. Ending balance	282,169,346.95	282,169,346.95
II. Accumulative depreciation		
1. Opening balance	94,519,584.92	94,519,584.92
2. Increase in the reporting period	48,686,092.09	48,686,092.09
(1) Provision	48,686,092.09	48,686,092.09
3. Amount decreased in the reporting period	7,008,242.92	7,008,242.92
(1) Disposal	7,008,242.92	7,008,242.92
4. Ending balance	136,197,434.09	136,197,434.09
III. Provision for impairment		

1. Opening balance		
2. Increase in the reporting period		
(1) Provision		
3. Amount decreased in the reporting period		
(1) Disposal		
4. Ending balance		
IV. Book value		
1. Book value at the end of the reporting period	145,971,912.86	145,971,912.86
2. Book value at the beginning of the reporting period	170,138,212.72	170,138,212.72

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			29,134,692.80	14,068,906.86	78,137,422.06
2. Increase in the reporting period				223,907.16	129,827.25	353,734.41
(1) Purchase				223,907.16	129,827.25	353,734.41
(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			29,358,599.96	14,198,734.11	78,491,156.47
II. Accumulative amortization						
1. Opening balance	15,048,815.45			18,612,740.91	6,616,549.19	40,278,105.55

2. Increase in the reporting period	366,776.65			2,412,854.66	663,244.18	3,442,875.49
(1) Provision	366,776.65			2,412,854.66	663,244.18	3,442,875.49
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	15,415,592.10			21,025,595.57	7,279,793.37	43,720,981.04
III. Provision for impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance						
IV. Book value						
1. Book value at the end of the reporting period	19,518,230.30			8,333,004.39	6,918,940.74	34,770,175.43
2. Book value at the beginning of the reporting period	19,885,006.95			10,521,951.89	7,452,357.67	37,859,316.51

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
Charge of fabrication of special counters	25,146,766.71	10,751,796.91	10,524,308.51	0	25,374,255.11
Refurbishment expenses	98,681,716.46	40,401,202.23	30,849,126.59	0	108,233,792.10
Others	6,189,104.82	13,207,546.87	5,062,629.25	0	14,334,022.44
Total	130,017,587.99	64,360,546.01	46,436,064.35	0	147,942,069.65

30. Deferred tax assets and deferred tax liabilities**(1) Deferred income tax asset without offsetting**

In CNY

Items	Ending balance		Opening balance	
	Offsetable provisional difference	Deferred income tax asset	Offsetable provisional difference	Deferred income tax asset
Asset impairment reserve	126,005,356.71	24,881,788.48	122,763,597.44	24,130,990.19
Unrealized profit from the intracompany transactions	111,501,304.92	27,738,982.77	135,402,764.86	33,674,974.92
Offsetable loss	52,775,719.35	12,473,390.66	64,272,084.42	15,216,766.23
Restricted shares	12,138,511.75	2,820,567.68	10,011,227.40	2,398,201.09
Promotion expenses available for carrying-forward to the next year	14,351,406.36	2,691,237.41	18,840,253.36	3,378,321.23
Lease liabilities	148,110,170.80	37,027,542.70	0	0
Others	10,019,558.65	2,504,889.67	8,458,186.73	2,114,546.69
Total	474,902,028.54	110,138,399.37	359,748,114.21	80,913,800.35

(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	20,004,473.90	3,000,671.09	20,452,230.39	3,067,834.55
Use right assets	145,787,453.52	36,446,863.39	0	0
Total	165,791,927.42	39,447,534.48	20,452,230.39	3,067,834.55

(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	35,609,701.32	74,528,698.05	0	80,913,800.35
Deferred income tax liability	35,609,701.32	3,837,833.16	0	3,067,834.55

(4) Statement of deferred income tax asset not recognized

In CNY

Items	Ending balance	Opening balance
Offsetable provisional difference	14,665,778.78	14,790,427.78
Offsetable loss	55,713,663.36	61,104,363.07
Total	70,379,442.14	75,894,790.85

(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
2020			
2021			
2022			
2023			
2024	1,724,268.09	7,114,967.80	
2025	11,684,299.22	11,684,299.22	
2026	18,449,678.50	18,449,678.50	
2027	23,855,417.55	23,855,417.55	
2028			

2029			
2030			
2031			
Total	55,713,663.36	61,104,363.07	--

31. Other non-current assets

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Advance payment for engineering works and equipment	5,499,554.07	0	5,499,554.07	13,536,307.13	0	13,536,307.13
Total	5,499,554.07	0	5,499,554.07	13,536,307.13	0	13,536,307.13

32. Short term loans

(1) Classification of short-term loans

In CNY

Items	Ending balance	Opening balance
Secured loan	9,609,712.54	142,247,348.04
Credit loan	450,413,888.89	400,425,930.05
Total	460,023,601.43	542,673,278.09

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

Inapplicable

33. Transactional financial liabilities

Inapplicable

34. Derivative financial liabilities

Inapplicable

35. Notes payable

In CNY

Categories	Ending balance	Opening balance
Trade acceptance	2,181,360.00	3,581,360.00
Total	2,181,360.00	3,581,360.00

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	228,935,070.03	284,050,848.79

Payment for materials	12,490,669.90	15,679,531.11
Engineering payment payable	1,232,967.42	1,481,135.49
Total	242,658,707.35	301,211,515.39

(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	8,932,926.97	9,991,850.67
Total	8,932,926.97	9,991,850.67

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

Inapplicable

38. Contract liabilities

In CNY

Items	Ending balance	Opening balance
Payment for goods	18,658,899.34	18,213,396.49
Total	18,658,899.34	18,213,396.49

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) 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	125,981,238.62	340,145,971.72	391,091,056.48	75,036,153.86
II. Post-employment benefit Plan - defined contribution plan.	6,767,477.58	23,305,565.10	20,902,624.80	9,170,417.88
III. Dismissal welfare	104,746.00	554,962.97	659,708.97	0
Total	132,853,462.20	364,006,499.79	412,653,390.25	84,206,571.74

(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	125,136,477.65	301,577,842.12	352,422,107.31	74,292,212.46

subsidies				
2. Staff' s welfare	3,805.46	6,149,022.84	6,144,031.30	8,797.00
3. Social security premium		18,617,626.35	18,617,626.35	
Including: medical insurance premium		9,721,058.77	9,721,058.77	
Work injury insurance		334,853.76	334,853.76	
Maternity Insurance		416,392.62	416,392.62	
4. Housing provident fund	2,932.00	9,462,521.35	9,456,234.35	9,219.00
5. Trade union fund and staff education fund	838,023.51	4,338,959.06	4,451,057.17	725,925.40
Total	125,981,238.62	340,145,971.72	391,091,056.48	75,036,153.86

(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	295,976.45	19,802,009.67	20,096,653.74	1,332.38
2. Unemployment insurance premium	437.76	580,246.73	580,684.49	0
3. Contribution to the enterprise annuity Plan	6,471,063.37	2,923,308.70	225,286.57	9,169,085.50
Total	6,767,477.58	23,305,565.10	20,902,624.80	9,170,417.88

40. Taxes payable

In CNY

Items	Ending balance	Opening balance
Value-added tax	33,133,848.51	36,028,888.63
Business income tax	26,311,470.96	29,488,177.68
Individual income tax	2,544,435.89	1,609,420.04
Urban maintenance and construction tax	478,365.65	631,469.18
Education Surcharge	341,348.02	450,946.60
Others	3,135,776.24	716,369.77
Total	65,945,245.27	68,925,271.90

41. Other payables

In CNY

Items	Ending balance	Opening balance
Dividends payable	5,210,370.29	1,639,513.77
Other payables	219,515,407.89	126,938,084.17
Total	224,725,778.18	128,577,597.94

(1) Interest payable

Inapplicable

(2) Dividend payable

In CNY

Items	Ending balance	Opening balance
Dividends of common shares	5,210,370.29	1,639,513.77
Total	5,210,370.29	1,639,513.77

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

In CNY

Items	Ending balance	Opening balance
Cash pledge or cash deposit	40,538,496.20	46,419,944.64
Fund for shop-front activities	22,245,132.28	21,861,578.14
Personal account payable	504,712.15	137,818.57
Refurbishment	9,382,435.53	7,481,768.84
Obligation of repurchase of restricted shares	66,673,709.70	16,299,166.73
Others	80,170,922.03	34,737,807.25
Total	219,515,407.89	126,938,084.17

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

Inapplicable

42. Held-for-sale liabilities

Inapplicable

43. Non-current liabilities due within a year

In CNY

Items	Ending balance	Opening balance
Long-term liabilities due within a year	352,600.00	370,030.00
Long-term lease liabilities due within one year	95,391,666.63	96,176,525.48
Total	95,744,266.63	96,546,555.48

44. Other current liabilities

In CNY

Items	Ending balance	Opening balance
Pending output VAT	2,374,396.18	2,299,755.09
Total	2,374,396.18	2,299,755.09

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	3,702,300.00	4,070,330.00
Total	3,702,300.00	4,070,330.00

Notes to classification of long term borrowings:

As of June 30, 2021, the book value of the fixed assets of the Group used for loan collateral was CNY 12,210,771.28.

Other notes, including the interest rate interval:

The interest rate of the borrowing is 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. Lease liabilities

In CNY

Items	Ending balance	Opening balance
Lease liabilities	52,886,029.26	76,142,342.03
Total	52,886,029.26	76,142,342.03

48. Long term accounts payable

Inapplicable

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

Inapplicable

(2) Special accounts payable

Inapplicable

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

Inapplicable

(2) Change of defined benefit plans

Inapplicable

50. Predicted liabilities

Inapplicable

51. Deferred income

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Cause of formation
Government subsidies	2,916,346.43	0	538,628.08	2,377,718.35	Income to be recognized
Total	2,916,346.43	0	538,628.08	2,377,718.35	--

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
Deferred income	551,309.04			0			551,309.04	Related with assets
Deferred income	925,127.45			0			925,127.45	Related with assets
Deferred income	901,281.86			0			901,281.86	Related with assets
Deferred income	538,628.08			538,628.08			0	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	Others	Sub-total	

				converted from reserve			
Total Shares	428,091,881. 00	7,458,641.00	0			7,458,641.00	435,550,522. 00

Other notes:

(1) On January 15, 2021, the Company held the 25th session of the Ninth Board of Directors and the 22nd session of the Ninth Supervisory Committee, which reviewed and approved the Proposal on Granting Restricted Shares to the Incentive Objects as Specified in 2018 A Share Restricted Stock Incentive Plan (Phase II)” and other related proposals, granted 7.66 million restricted A-shares to 135 incentive objects, accounting for 1.79% of the Company’ s total share capital before the registration of the shares granted.

(2) According to the “Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 A-Share Restricted Stock Incentive Plan (Phase I)” and the “Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 A-Share Restricted Stock Incentive Plan (Phase II)” approved at the board meeting and general meeting, in year 2021, the Company repurchased and canceled a total of 201,359 A-share restricted shares that were held by, granted to but with restriction not released to 2 retired former incentive objects.

54. Other equity instruments

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

Inapplicable

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

Inapplicable

55. Capital reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Capital premium (capital stock premium)	996,986,711.73	50,595,978.03	1,147,454.00	1,046,435,235.76
Other capital reserve	24,503,676.05	7,719,886.13	0	32,223,562.18
Total	1,021,490,387.78	58,315,864.16	1,147,454.00	1,078,658,797.94

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

(1) On January 15, 2021, the Company held the 25th session of the Ninth Board of Directors and the 22nd session of the Ninth Supervisory Committee, which reviewed and approved the Proposal on Granting Restricted Shares to the Incentive Objects as Specified in 2018 A Share Restricted Stock Incentive Plan (Phase II)” and other related proposals, granted 7.66 million restricted A-shares to 135 incentive objects, accounting for 1.79% of the Company’ s total share capital before the registration of the shares granted. Thus the capital reserve increased correspondingly by CNY 50,556,000.00.

(2) According to the “Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 A-Share Restricted Stock Incentive Plan (Phase I)” and the “Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 A-Share Restricted Stock Incentive Plan (Phase II)” approved at the board meeting and general meeting, in first half year of 2021, the Company repurchased and canceled a total of 201,359 A-share restricted shares that were held by, granted to with the restriction but not released to 2 retired former incentive objects. Thus the capital reserve was written down by CNY 1,144,077.00.

(3) On January 4, 2019, approved by State-owned Assets Supervision and Administration Commission of the State Council with the “Official Reply on Fiyta Holdings Ltd. to Implement the Restrictive Stock Incentive Plan” (GUO ZI KAO FEN [2018] No. 936), and at the same time reviewed and approved by the Board of Directors and the General Meeting, the Company awarded 4.277 million shares of A-share restrictive stock to the incentive objects in the Company’s Restrictive Stock Incentive Plan (Phase I) as at January 11, 2019. Reviewed and approved by the Company’s Board of Directors and the General Meeting of shareholders, the Company granted the second phase of restricted A shares to incentive objects on January 15, 2021. In the first half year of 2021, the services of the above-mentioned incentive objects obtained by the Company shall be included in the relevant costs or expenses and the capital reserve shall be increased by CNY 6,158,808.77 accordingly.

(4) The 24th session of the Ninth Board of Directors held on December 29, 2020 reviewed and approved the Proposal on the Release Conditions having been Satisfied for the First Release Period of 2018 Restricted A-Share Incentive Plan (Phase I). According to the relevant provisions of the Measures for Management of Equity Incentive of Listed Companies and 2018 A Share Restricted Stock Incentive Plan (Phase I)(Draft Revision Version), the release conditions for the first release period of 2018 Restricted A-Share Incentive Plan (Phase I) have been satisfied. After the release, the Company’s capital reserve shall increase by CNY 1,561,077.36.

(5) According to "Proposal on the Repurchase of the Company's Partial Domestically Listed Foreign Shares (B Shares)" reviewed and approved at the 7th session of the Ninth Board of Directors and 2019 2nd Extraordinary General Meeting and the “Proposal for the Repurchase of Partial Domestically Listed Foreign Shares in the Company (B-shares)” reviewed and approved at 2020 2nd Extraordinary General Meeting, in the first half year of 2021, the Company repurchased its own shares through a centralized bidding method with the special account for the securities repurchased at expense equivalent to CNY 3,377.00 which has written off capital reserve amounting to CNY 3,377.00.

56. Treasury shares

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Shares in stock	61,633,530.48	63,013,838.49	6,774,896.51	117,872,472.46
Total	61,633,530.48	63,013,838.49	6,774,896.51	117,872,472.46

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

(1) As stated in Note VII. 55. Capital Reserves and Note (1), the Company has increased treasury shares by CNY 58,216,000.00 for the issue of the second phase of equity incentives.

(2) As stated in Note VII. 55. Capital Reserves and Note (2), the Company reduced treasury shares by CNY 1,345,436.00 in relation to the repurchase and cancellation of restricted stocks.

value of the investment in other equity instruments								
Movement of the fair value of the Company's own credit risk								
II. Other comprehensive income which shall be re-classified into profit and loss	976,871.41	-6,510,295.78				-6,477,955.16	-32,340.62	-5,501,083.75
Where: other comprehensive income which can be converted into gain and loss based on the equity method								
Change of the fair value of the investment in other creditor investment								
Amount of the reclassified financial assets counted to the other comprehensive income								
Provision for impairment of the credit of the other debt investment								
Reserve for cash flow hedge								
Conversion difference in foreign currency statements	976,871.41	-6,510,295.78				-6,477,955.16	-32,340.62	-5,501,083.75
Total other comprehensive income	976,871.41	-6,510,295.78				-6,477,955.16	-32,340.62	-5,501,083.75

58. Special reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Safety production costs	0	491,605.68	195,913.72	295,691.96
Total	0	491,605.68	195,913.72	295,691.96

59. Surplus Reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Statutory surplus reserve	184,546,972.87	0	0	184,546,972.87

Discretionary surplus reserve	61,984,894.00	0	0	61,984,894.00
Total	246,531,866.87	0	0	246,531,866.87

60. Retained earnings

In CNY

Items	Reporting period	Previous period
Before adjustment: Retained earnings at the end of the previous period	1,164,490,911.51	966,840,818.40
Total retained earnings under adjustment at the beginning of the reporting year (adjustment up +, adjustment down -)	-4,319,295.51	0
After adjustment: Retained earnings at the beginning of the reporting period	1,160,171,616.00	966,840,818.40
Plus: Net profit attributable to the parent company's owner in the report period	233,544,726.55	294,115,156.04
Less: Provision of statutory surplus public reserve	0	10,830,686.73
Dividends of common shares payable	174,220,065.73	85,634,376.20
Retained earnings at the end of the reporting period	1,219,496,276.82	1,164,490,911.51

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 -4,319,295.50.
- 2) The amount involved in change of the accounting policy influencing the retained earnings at the beginning of the reporting period was CNY 0.
- 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.
- 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.
- 5) The total amount involved in other adjustments influencing the retained earnings at the beginning of the reporting period was CNY 0.

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	2,770,803,774.51	1,736,967,152.08	1,579,084,669.87	977,121,580.01
Other businesses	6,715,746.83	1,182,329.62	2,750,045.16	314,096.86

Total	2,777,519,521.34	1,738,149,481.70	1,581,834,715.03	977,435,676.87
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Information in connection with the revenue:

In CNY

Classification of Contracts	Segment 1	Segment 2		Total
Types of commodities				
Including:				
Watch brand business	541,632,277.89			541,632,277.89
Watch retail and services	2,095,715,705.60			2,095,715,705.60
Precision technology business	59,305,901.13			59,305,901.13
Leases	74,149,889.89			74,149,889.89
Others	6,715,746.83			6,715,746.83
Classification based on the operation regions				
Including:				
South China	1,404,978,399.03			1,404,978,399.03
Northwest China	414,691,758.15			414,691,758.15
Northeast China	138,241,583.29			138,241,583.29
East China	381,212,790.12			381,212,790.12
Northeast China	158,038,232.08			158,038,232.08
Southwest China	280,356,758.67			280,356,758.67
Total	2,777,519,521.34			2,777,519,521.34

Information concerning obligation performance:

① General sales

When the goods are dispatched, the receipt of the customer's receipt is obtained, and according to the sales contract signed by both parties, it is confirmed that the control of the goods has been transferred to the purchaser, and the sales revenue is recognized.

② Direct sales

a. Offline retail: Under the direct sales business model, sales revenue is recognized when the goods is sent out, the sales payment is received and the products are delivered to the customer.

b. Online retail: Under the e-commerce platform sales model, sales revenue is recognized when products are delivered and signed for reception by customers.

③ Mall Associates

Under the joint sales model, the Group recognizes revenue when products are delivered to customers, shop assistants issue small invoices to retail customers, customers accept acceptance and shopping malls collect payments.

④ Consignment sales

Under the consignment sales model, the Group recognizes revenue when it receives the sales list from the consignee and confirms that the control over the ownership of the goods has been transferred to the purchaser.

⑤ Consignment Sales

Under the consignment sales model, when the Group delivers external consignment products to customers and confirms that the control over the ownership of the goods has been transferred to the purchaser, the Group recognizes revenue based on the net 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 CNY 0.00, of which CNY 0.00 is expected to be recognized as revenue in the year, CNY 0.00 is expected to be recognized as revenue in the year, and CNY 0.00 is expected to be recognized as revenue in the year.

Inapplicable

62. Business Taxes and Surcharges

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	726,813.41	39,803.71
Urban maintenance and construction tax	5,877,927.84	2,489,349.64
Education Surcharge	4,121,272.93	1,762,953.17
Real estate tax	3,567,272.30	1,403,403.52
Land use tax	197,939.71	119,304.10
Tax on using vehicle and boat	2,520.00	2,880.00
Stamp duty	1,641,839.17	1,007,174.51
Others	320,376.10	446,115.04
Total	16,455,961.46	7,270,983.69

63. Sales expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Payroll to Employees	213,043,074.52	157,546,673.59
Shopping mall and rental fees	129,400,920.28	89,783,779.60
Advertising, exhibition and market promotion fee	91,568,222.91	61,631,796.14
Depreciation and amortization	92,926,914.28	44,191,277.25
Packing expenses	4,481,736.64	3,301,568.93
Water & power supply and property management fee	10,882,939.50	8,864,424.63
Freight	4,242,070.29	5,368,007.05
Office expenses	3,919,959.69	2,324,895.41
Business travel expenses	3,520,062.70	1,975,223.92

Business entertainment	1,950,807.85	1,052,159.62
Others	5,693,343.97	4,888,506.37
Total	561,630,052.63	380,928,312.51

64. Administrative expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Payroll to Employees	90,780,253.80	72,157,594.27
Depreciation and amortization	12,421,579.17	13,362,685.84
Business travel expenses	1,799,515.00	967,235.20
Office expenses	1,767,686.85	2,085,464.53
Service fee to intermediary agencies	1,662,615.14	1,598,683.57
Water, electricity, property and rent	3,315,987.84	1,751,821.99
Others	9,644,028.05	6,316,863.33
Total	121,391,665.85	98,240,348.73

65. R & D expenditures

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Payroll to Employees	18,674,577.25	13,262,678.07
Materials and moulds	384,901.07	89,596.90
Payment for samples	640,496.08	593,599.24
Depreciation and amortization	3,117,098.99	3,162,020.53
Technical cooperation fee	657,671.10	1,536,929.13
Others	2,895,320.19	2,059,446.89
Total	26,370,064.68	20,704,270.76

66. Financial expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	14,778,321.69	13,485,670.67
Less: capitalized interest	0	0
Less: Interest income	2,153,626.51	2,482,721.82
Exchange gain & loss	-9,312.50	713,188.07
Service charges and miscellaneous	8,161,891.03	4,812,806.44
Total	20,777,273.71	16,528,943.36

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	11,662,934.28	10,154,015.67

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	1,629,328.24	2,160,911.92
Total	1,629,328.24	2,160,911.92

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	-173,755.96	-1,851.58
Loss from bad debt of notes receivable	-484,421.80	0
Loss from bad debt of accounts receivable	-1,377,059.19	-2,465,509.77
Total	-2,035,236.95	-2,467,361.35

72. Loss from impairment of assets

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Loss from bad debt	0.00	0.00
II. Loss from price falling of inventory and loss from impairment of contract performance costs	-1,226,362.68	0
Total	-1,226,362.68	0

73. Income from disposal of assets

In CNY

Source of income from disposal of assets	Amount incurred in the reporting period	Amount incurred in the previous period
Profit from disposal of fixed assets (loss is stated with “-”)	-73,807.46	-200,140.17

74. Non-operating income

In CNY

Items	Amount incurred in the	Amount incurred in the	Amount counted to the
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	reporting period	previous period	current non-operating gain and loss
Compensation	3,475.00	0	3,475.00
Disposal of account payable impossible to be paid	124,191.89	877,410.33	124,191.89
Others	144,301.38	514,449.09	144,301.38
Total	271,968.27	1,391,859.42	271,968.27

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	100,000.00	0	100,000.00
Others	759,659.12	118,646.41	759,659.12
Total	859,659.12	118,646.41	859,659.12

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	61,394,301.15	26,235,776.22
Deferred income tax expense	7,155,100.91	-12,327,864.33
Total	68,549,402.06	13,907,911.89

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

In CNY

Items	Amount incurred in the reporting period
Total profit	302,114,185.89
Income tax expense calculated based on the statutory/ applicable tax rate	75,528,546.47
Influence of different tax rates applicable to subsidiaries	-4,424,414.99
Influence of adjustment of the income tax in the previous period	447,731.08
Profit and loss of the joint ventures and associated calculated based on the equity method	-407,332.06
Influence of the non-offsetable costs, expenses and loss	1,525,570.31
The effect of using deductible losses of deferred income tax assets that have not been recognized in the previous period	-1,330,766.11

Influence from the addition of the R & D expenses upon deduction of tax payment (to be stated with “- “)	-2,789,932.65
76. Income tax expense	68,549,402.06

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
Commodity promotion fee	6,760,506.27	5,210,311.30
Government subsidies	10,827,370.77	10,154,015.67
Cash deposit	5,023,790.54	7,315,744.37
Interest income	2,125,691.94	2,482,721.82
Reserve	2,279,469.79	1,303,065.89
Others	11,749,975.61	4,821,570.68
Total	38,766,804.92	31,287,429.73

(2) Other operation activities related cash receipts

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Expenses during cash payment	220,464,795.10	152,218,961.04
Margin	13,205,523.62	5,539,017.16
Petty cash	10,265,576.39	7,966,971.55
Others	143,644.97	201,274.46
Total	244,079,540.08	165,926,224.21

Note to other cash received in connection with operating activities

Inapplicable

(2) Other cash paid in connection with operation activities

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Market promotion	48,479,393.47	30,650,504.85
Rent	62,446,320.30	56,722,191.19
Shopping mall fees	29,488,720.99	12,740,511.78
Advertisement fee	7,280,642.93	6,000,177.41
Packing expenses	789,630.85	3,491,359.91
Business travel expenses	5,267,489.46	2,955,291.84
Water and electricity fees	11,249,169.79	5,422,039.82
R & D expenses	5,121,243.29	3,588,855.18
Office expenses	4,886,848.76	5,169,903.19
Freight	4,918,962.22	5,917,126.15

Exhibition fee	223,410.62	45,727.87
Property management fee	12,275,513.14	9,544,159.17
Business entertainment	2,602,399.87	1,310,428.39
Service fee to intermediary agencies	2,570,315.73	2,671,307.29
Others	46,479,478.66	19,696,640.17
Total	244,079,540.08	165,926,224.21

Note to other cash paid in connection with operating activities:

Inapplicable

(3) Other investment activities related cash receipts

Inapplicable

(4) Other investment activities related cash payments

Inapplicable

(5) Other fund-raising activities related cash receipts

Inapplicable

(6) Other fund-raising activities related cash payments

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Repurchase of B-shares	6,106,577.91	26,825,873.78
Lease liabilities	47,957,294.77	0
Total	54,063,872.68	26,825,873.78

Note to other cash paid in connection with financing activities:

Inapplicable

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	233,564,783.83	77,738,906.30
Plus: Provision for impairment of assets	3,261,599.63	2,467,361.35
Depreciation of fixed assets, depletion of oil and gas asset, depreciation of productive biological asset	21,116,190.64	21,037,291.58
Depreciation of use right assets	48,686,092.09	0

Amortization of intangible assets	3,442,875.49	3,829,094.00
Amortization of long term expenses to be apportioned	46,436,064.35	50,739,190.23
Loss (income is stated in “-”) from disposal of fixed assets, intangible assets and other long term assets	73,807.46	200,140.17
Loss on scrapping of fixed assets (profit is stated with “-”)		
Loss from change of fair value (income is stated with “-”)		
Financial expenses (income is stated with “-”)	14,769,009.19	13,485,670.67
Investment loss (income is stated with “-”)	-2,000,000.00	-2,160,911.92
Decrease of the deferred income tax asset (increase is stated with “_”)	6,385,102.30	-12,327,864.33
Increase of deferred income tax liability (decrease is stated with “-”)	769,998.61	-63,520.78
Decrease of inventories (Increase is stated with “-”)	-83,529,356.74	10,360,528.74
Decrease of operative items receivable (Increase is stated with “-”)	-31,249,035.35	-57,935,867.20
Increase of operative items payable (Decrease is stated with “-”)	-56,572,567.57	-3,724,783.54
Others		
Net cash flows arising from operating activities	205,154,563.93	103,645,235.27
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	234,840,156.69	344,906,641.68
Less: Opening balance of cash	353,057,285.71	315,093,565.09
Plus: Ending balance of cash equivalent		
Less: Opening balance of cash		

equivalent		
Net increase of cash and cash equivalents	-118,217,129.02	29,813,076.59

(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	234,840,156.69	353,057,285.71
Including: Cash in stock	119,448.51	183,759.72
Bank deposit available for payment at any time	214,931,355.40	346,055,209.29
Other monetary fund used for payment at any time	19,789,352.78	6,818,316.70
II. Cash equivalent	0.00	0.00
III. Ending balance of cash and cash equivalents	234,840,156.69	353,057,285.71
Including: cash and cash equivalents restricted for use from the parent company or other subsidiaries of the Group	5,061,912.69	3,412,028.94

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	6,662,928.59	Notes discounted
Fixed asset	12,210,771.28	Security guarantee
Total	18,873,699.87	--

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	2,763,496.16	6.4601	17,852,461.54
Euro	218,828.11	7.6862	1,681,956.62
HKD	23,371,434.27	0.83208	19,446,903.03
SF	676,581.00	7.0134	4,745,133.19
Accounts receivable	--	--	
Including: USD	523,915.78	6.4601	3,384,548.33
Euro	93,237.95	7.6862	716,645.53
HKD	2,739,341.11	0.8321	2,279,350.95
SF	14,180.64	7.0134	99,454.48
GBP	15,566.13	8.9410	139,176.77
Long-term Loan	--	--	
Including: USD			
Euro			
HKD			
SF	527,889.47	7.0134	3,702,300.00
36. Accounts payable			
Including: USD	1,019.00	6.4601	6,582.84
HKD	5,665,116.10	0.8321	4,713,829.80
SF	212,526.65	7.0134	1,490,534.39
JP Yen	15,075,000.00	0.0584	880,802.10
Other receivables			
HKD	124,383.64	0.8321	103,497.14
Other payables			
Including: USD	17,787.95	6.4601	114,911.94
Euro	152.84	7.6862	1,174.76
HKD	16,832.91	0.8321	14,006.33
SF	30,683.00	7.0134	215,192.13
Non-current liabilities due within a year			
SF	50,275.19	7.0134	352,600.00

(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 overseas business entities, refer to Note V.4.

83. Hedging

Inapplicable

84. Government subsidies

(1) Basic information of government subsidies

In CNY

Categories	Amount	Items presented	Amount counted to the current
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			profit and loss
Fund of the Talent Qualification Improvement Engineering Project of the Human Resource Bureau of Nanshan District, Shenzhen	108,000.00	Other income	108,000.00
Subsidy of the work-for-training granted by Human Resource Bureau of Nanshan District, Shenzhen	355,000.00	Other income	355,000.00
Enterprise R & D investment supporting Plan fund (A) granted by Science & Technology Innovation Bureau of Nanshan District, Shenzhen	466,100.00	Other income	466,100.00
Financial support fund of the 2nd Industry Design Development Supporting Plan 2021 granted by Shenzhen Industrial and Information Technology Bureau	50,000.00	Other income	50,000.00
Fund for the projects to be financed in the Patent Support Plan of Science & Technology Innovation Bureau of Nanshan District, Shenzhen	5,500.00	Other income	5,500.00
2020 patent financial support granted by Shenzhen Agency of China National Intellectual Property Administration	10,000.00	Other income	10,000.00
Special financial support of 2020 Shenzhen Standard Field (B) from Market Supervision Administration of Shenzhen Municipality	582,152.00	Other income	582,152.00
Steady growth financial support of the second half year of 2020 (C) from Nanshan District Bureau of Finance, Shenzhen	4,447,800.00	Other income	4,447,800.00
Sale and retail growth promotion award 2021 (D) of Shenzhen Municipal Bureau of Finance	3,500,000.00	Other income	3,500,000.00
Allowance Wentaorun Foreign Trade Quality Growth Support Project	35,439.00	Other income	35,439.00
Financial support of enterprise social security subsidy (E)	609,576.69	Deferred income	538,628.08
Subsidy for stabilizing employment	150.04	Other income	150.04
Training allowance for enterprises in difficulty	75,600.00	Other income	75,600.00
Enterprise R & D financial support of year 2016 (municipal level) (F) received	460,000.00	Other income	460,000.00
2020 financial support of Shenzhen	254,553.00	Other income	254,553.00

Standards Field received			
Employment allowance for employing impoverished laborers under data tracking by enterprises in January 2021	25,000.00	Other income	25,000.00
Special financial support of technology innovation multiplication 2020 from Shenzhen Industry and Information Technology Bureau	70,000.00	Other income	70,000.00
Allowance for the Endowment and Medical Insurance for the Disabled in the Second Half of 2020 from Guangming District	1,993.08	Other income	1,993.08
Financial support with loan with discounted interest to medium and small enterprises against COVID-19 in Shenzhen	4,392.64	Other income	4,392.64
Financial support for domestic and foreign invention patent in 2020	2,500.00	Other income	2,500.00
2020 financial support with loan with discounted interest during the pandemic in Guangming District	9,095.00	Other income	9,095.00
2019 R & D financial support from the Technology Innovation Commission of Shenzhen Municipality	296,000.00	Other income	296,000.00
Electricity subsidies	450,562.00	Administrative expenses	450,562.00
Others	365,031.44	Other income	365,031.44

(A) It is a government subsidy obtained in accordance with the Notice of the General Office of Nanshan District People's Government Shenzhen on Printing and Issuing the "Measures for the Management of Special Fund for the Development of Independent Innovation Industries in Nanshan District" (Shennan Fuban Gui [2019] No. 2).

(B) It is a government subsidy obtained according to the Notice on 2020 Special Financial Support Award of Shenzhen Standard Field promulgated by the Market Supervision Administration of Shenzhen Municipality

(C) It is a government subsidy obtained according to the Official Presentation of the List of Enterprises Qualified for Enjoying the Financial Support to be Deliberated at 2021 1st Session of the Special Fund for Independent Innovation Industry Development of Nanshan District.

(D) It is a government subsidy obtained according to the Notice of Shenzhen Municipal Bureau of Commerce on the Award Plan for Promoting Consumption Upgrading Support Plan - Retail Volume (Turnover) Growth Reward Project in Year 2021.

(E) It is a government subsidy obtained according to the Notice on Printing and Issuing the Measures for Verification of the Subsidy for Stabilizing the Employment by Enterprises in Temporary Difficulty in Chengdu promulgated by ten government departments, including the Human Resources and Social Security Bureau of Chengdu Municipality (CHENG REN SHE FA

(2019) No. 15).

(F) It is a government subsidy obtained according to the Notice of the Science & Technology Innovation Commission of Shenzhen Municipality Advance Collection of the Application Materials, Fund Allocation Materials and Letter of Good Faith Commitment of Scientific Research for the 1st Financial Support Fund in the Enterprise R & D Financial Support Plan in Year 2020.

(2) Refunding of the government subsidies

Inapplicable

85. Others

Inapplicable

VIII. Change in consolidation scope

1. Business combination not under the 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 notes

Inapplicable

2. Business combination under the 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

Note to the change in the scope of consolidation caused by other reasons (such as newly established subsidiaries, liquidation subsidiaries, etc.) and related conditions:

1. The Company's 23rd Session of the Ninth Board of Directors held on December 4, 2020, reviewed and approved the "Proposal on the Establishment of a Wholly Owned Subsidiary" and decided to invest in the establishment of a wholly-owned subsidiary - Shenzhen Xunhang Precision Technology Co., Ltd., with its own capital amounting to CNY10 million. For the detail, please refer to the "Announcement on Investment and Establishment of a Wholly Owned Subsidiary 2020-072" disclosed in the Securities Times, Hong Kong Commercial Daily and www.cninfo.com. As of the end of the reporting period, the Company completed the industrial and commercial establishment registration procedures and received the business license issued by the Shenzhen Municipal Market Supervision Administration.

2. The Company's 29th Session of the Ninth Board of Directors held on May 21, 2021, reviewed and approved the "Proposal on the Establishment of a Wholly Owned Subsidiary" and decided to invest in the establishment of a wholly-owned subsidiary - HARMONY World Watch Center (Hainan) Limited, with its own capital amounting to CNY10 million. For the detail, please refer to the "Announcement on Investment and Establishment of a Wholly Owned Subsidiary 2021-049" disclosed in the Securities Times, Hong Kong Commercial Daily and www.cninfo.com. As of the end of the reporting period, the Company completed the industrial and commercial establishment registration procedures and received the business license issued by the Hainan Provincial Market Supervision Administration.

3. On March 5, 2021, the Company received the Announcement on Cancellation of 68-Station Co. issued by the Hong Kong Companies Registry, and 68-Station Co. completed the procedures of its cancellation.

6. Others

Inapplicable

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

Subsidiaries	Main business location	Place of registration	Nature of business	Shareholding proportion		Way of acquisition
				Direct	Indirect	
Harmony	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Precision Technology Co.	Shenzhen	Shenzhen	Manufacture	99.00%	1.00%	Establishment or investment
the Hong Kong Co.	Hong Kong	Hong Kong	Commerce	100.00%		Establishment or investment
68-Station Limited	Hong Kong	Hong Kong	Commerce		60.00%	Establishment or investment
Harmony E-Commerce Limited	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Science & Technology Development Co.	Shenzhen	Shenzhen	Manufacture	100.00%		Establishment or investment
SHIYUEHUI	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Emile Choureit (Shenzhen)	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
The Sales Co.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Hengdarui	Shenyang	Shenyang	Commerce	100.00%		Business combination under the common control
Switzerland Company	Switzerland	Switzerland	Commerce		100.00%	Business combination not under the common control
Xunhang Co.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
HARMONY (Hainan) Co.	Hainan	Hainan	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 structurized 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	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 reporting period
Current assets	142,602,075.39	142,137,359.85
Non-current assets	12,782,341.54	13,783,021.02
Total assets	155,384,416.93	155,920,380.87
Current liabilities	28,946,536.33	35,999,813.24
Total liabilities	28,946,536.33	35,999,813.20
Equity attributable to the parent company's shareholders	126,437,880.60	119,920,567.63
Share of net assets calculated according to the shareholding proportion	31,609,470.15	29,980,141.91
Book value of the equity investment in associates	53,029,994.16	51,400,665.92
Revenue	71,770,916.04	54,674,292.84
Net profit	6,517,312.97	8,643,647.69
Total comprehensive income	6,517,312.97	8,643,647.69

(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 structurized entities not incorporated in the consolidated financial statements

Inapplicable

6. Others

Inapplicable

X. Financial instruments and risk management

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

1. Risk management goals and policies

The goal of the Group's risk management is to achieve an appropriate balance between risks and returns, and strive to reduce the adverse effects of financial risks on the Group's financial performance. Based on this risk management objective, the Group has formulated a risk management policy to identify and analyze the risks faced by the Group, set an appropriate acceptable level of risk and design corresponding internal control procedures to monitor the Group's risk level. The Group regularly reviewed these risk management policies and related internal control systems to adapt to market conditions or changes in the Group's operating activities. The Group's internal audit department also regularly or randomly checked whether the implementation of the internal control system complied with the risk management policy.

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

The Board of Directors is responsible for planning and establishing the Group's risk management structure, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks faced by the Group. These risk management policies clearly 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 Group's operating activities to determine whether to update the risk management policy and system. The Group'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 Group to identify, evaluate and avoid related risks. The internal audit department of the Group conducts regular audits on risk management controls and procedures, and reports the audit results to the audit committee of the Group.

The Group 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 incurred to the Group due to the failure of the counterparty to perform the contractual obligations.

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

The Group's bank deposits are mainly deposited in financial institutions with good reputation and high credit ratings. The Group expects that there is no significant credit risk for bank deposits.

For notes receivable, accounts receivable and other receivables, the Group has concluded relevant policies to control credit risk exposure. The Group assesses the credit qualifications of customers based on their financial status, credit records and other factors such as current market conditions and sets corresponding credit periods. The Group regularly monitors customer credit records. For customers with poor credit records, the Group uses written reminders, shortens credit periods or cancels credit periods, etc., to ensure that the overall credit risk of the Group is within the controllable range.

The debtors of the Group's accounts receivable are customers in different sectors and regions. The Group continues to implement credit assessments on the financial status of accounts receivable and purchase credit guarantee insurance when appropriate.

The maximum credit risk exposure of the Group is the book value of each financial asset in the balance sheet. The Group also faces credit risk due to the provision of financial guarantees.

Among the accounts receivable of the Group, the accounts receivable owed by the top five customers accounted for 22.28% (2020: 31.28%) of the total accounts receivable of the Group; among the other receivables of the Group, the amount owed by the top five companies accounted for 17.99% of the total other receivables of the Group (2020: 34.96%).

(2) Liquidity risks

Liquidity risk refers to the risk that the Group encounters a shortage of funds when fulfilling its obligations to implement settlements with cash or other financial assets.

When managing liquidity risks, the member enterprises of the Group are responsible for their cash flow forecasts. The Group's financial center monitors the long- and short-term fund needs at the Group level based on the cash flow forecast results of each member enterprise. The Group coordinates and dispatches surplus funds within the Group through the fund pool plan established in large banking financial institutions, and ensures that each member enterprise has sufficient cash reserves to fulfill payment obligations due to settlement. In addition, the Group has entered into a financing line credit agreement with major business banks to provide support for the Group to fulfill its obligations related to commercial papers.

The Group raises working capital through the funds generated from operating business and bank borrowings. As at June 30, 2021, the amount of the bank loan not yet used by the Group was CNY 1,188.2539 million (December 31, 2020: CNY 1,104.4306 million).

At the end of the reporting period, the financial liabilities held by the Group are analyzed based on the maturity period of the

undiscounted remaining contractual cash flows as follows (in CNY 10,000):

Items	6/30/2021				
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial liabilities:					
Short term loans	46,723.58	-	-	-	46,723.58
Accounts payable	24,265.87	-	-	-	24,265.87
Other payables	21,988.61	-	106.94	414.10	22,509.64
Non-current liabilities due within a year	36.12	-	-	-	36.12
Long-term Loan	379.25	3.68	-	-	382.93
Total financial liabilities	93,393.42	3.68	106.94	414.10	93,918.14

At the beginning of the reporting period, the financial liabilities held by the Group are analyzed based on the maturity period of the undiscounted remaining contractual cash flows as follows (in CNY 10,000):

Items	12/31/2020				
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial liabilities:					
Short term loans	55,023.98	-	-	-	55,023.98
Notes payable	358.14				358.14
Accounts payable	30,121.15	-	-	-	30,121.15
Other payables	12,693.81	-	163.95		12,857.76
Non-current liabilities due within a year	38.11	-	-	-	38.11
Long-term Loan	13.33	419.24		-	432.57
Total financial liabilities	98,248.52	419.24	163.95	-	98,831.71

The amount of financial liabilities disclosed in the above table is the undiscounted contract cash flow, and therefore may be different from the book amount in the balance sheet.

(3) Market Risks

The market risk of financial instruments refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices, including interest rate risk, exchange rate risk and other price risks.

Interest rate risk

Interest risk is the risk that the fair value of a financial instrument or future cash flow will fluctuate because of change in market interest rate. Interest rate risk may originate from the recognized interest-bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

The interest rate risk of the Group mainly arises from interest-bearing debts such as short-term bank borrowings and long-term bank borrowings. Financial liabilities with floating interest rate expose the Group to cash flow interest rate risk, and financial liabilities with fixed interest rate expose the Group to fair value interest rate risk. The Group determines the

relative proportions of fixed-rate and floating-rate contracts based on the prevailing market environment, and maintains an appropriate combination of fixed and floating-rate instruments through regular reviews and monitoring.

The Group pays close attention to the impact of interest rate changes on the Group's interest rate risk. The Group currently does not adopt an interest rate hedging policy. However, the management is responsible for monitoring interest rate risks and will consider hedging significant interest rate risks when necessary. Rise of interest rates may increase the cost of new interest-bearing liabilities and have a significant adverse impact on the Group's financial performance. The management may make timely adjustments based on the latest market conditions. These adjustments may be through interest rate swap arrangements to lower the risk of interest rates.

The interest-bearing financial instruments held by the Group are as follows (in CNY10,000):

Items	Amount in the reporting year	Amount in the previous year
Financial instruments with fixed interest rate		
Financial liabilities:		
Including: short-term loan	45,960.97	27,539.02
Long-term Loan	405.49	444.04
Sub-total	46,366.46	27,983.06
Financial instruments with floating interest rate		
Financial liabilities		
Including: short-term loan		25,000.00
Total	46,366.46	52,983.06

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the impact of net profit and shareholders' equity in the above sensitivity analysis is based on the assumption that the interest rate changes on the balance sheet date and is the impact of the new interest rate on the aforesaid financial instrument after remeasurement is carried out. For non-derivative instruments with floating interest rates held on the balance sheet date that expose the Group to cash flow interest rate risk, the impact of the above-mentioned sensitivity analysis on net profit and shareholders' equity is the impact of the change of the above-mentioned interest rate on the annual estimated interest expense or income. The analysis of the previous year was based on the same assumptions and methods.

Exchange rate risk

Exchange rate risk is the risk that the fair value of a financial instrument or future cash flow will fluctuate because of change in market exchange rate. Exchange rate risk can be derived from financial instruments denominated in foreign currencies other than the functional currency.

Exchange rate risk is mainly due to the impact of fluctuations in foreign exchange rates on the Group's financial status and cash flows. Except for the subsidiary established in Hong Kong holding Hong Kong dollars as the settlement currency, and a sub-subsidiary established in Switzerland holding assets with Swiss Francs as the settlement currency, other major business activities of the Group are mainly settled in Renminbi. However, the Group's confirmed foreign currency assets and liabilities and future foreign currency transactions still expose to foreign exchange risks.

As of June 30, 2021, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Group converted into Renminbi are listed as follows (in CNY 10,000):

Items	Foreign currency	Foreign currency
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	liabilities		assets	
	Amount at the end of the reporting period	Amount at the beginning of the reporting period	Amount at the end of the reporting period	Amount at the beginning of the reporting period
USD	12.15	-	2,123.70	2,366.05
HKD	472.78	179.63	2,182.98	1,774.03
SF	576.06	1,005.75	484.46	1,974.28
Euro	0.12	-	239.86	164.13
JP Yen	88.08		-	
GBP	-		13.92	
Total	1,149.19	1,185.38	5,044.91	6,278.49

The Group pays close attention to the impact of exchange rate changes on the Group's exchange rate risk. The Group has not taken any measures to avoid foreign exchange risks at present. However, the management is responsible for monitoring exchange rate risks and will consider hedging significant exchange rate risks when necessary.

As of June 30, 2021, for monetary funds, bank borrowings, and other financial instruments of the Group denominated in foreign currencies, it is assumed that if Renminbi appreciates or depreciates against foreign currencies (mainly against US Dollar, Hong Kong Dollar and Swiss Franc) by 5% with other factors remaining unchanged, it will result in an increase or decrease in the Group's shareholders' equity and net profit by approximately CNY 1,947,900 (December 31, 2020: approximately CNY 2,546,600).

2.Capital management

The goal of the Group's capital management policy is to ensure the Group able to continue to operate, thereby providing returns to the shareholders and benefiting other stakeholders, while maintaining the best capital structure to reduce the cost of capital.

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

The Group monitors the capital structure based on the asset-liability ratio (that is, total liabilities divided by total assets). As of June 30, 2021, the Group's asset-liability ratio was 30.74% (December 31, 2020: 30.33%).

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 in industries, domestic trade, material supply and distribution	116,616.20	37.42%	37.42%

Note to the parent company:

AVIC IHL is a subsidiary 100% indirectly held by AVIC International Holding Corporation (AVIC International). Aviation Industry Corporation of China, Ltd. (AVIC) directly holds 91.13% of shares in AVIC International (with the eventual beneficiary equity by 91.897%), therefore, the eventual controller of the Company is AVIC.

The eventual controller of the Company is AVIC.

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 Controlling Shareholder
Shenzhen AVIC Building Technology Co., Ltd. (AVIC Building)	An associate of the Controlling Shareholder
Shenzhen AVIC Nanguang Elevator Co., Ltd. (AVIC Nanguang)	An associate of the Controlling Shareholder
China Merchants Property Operation & Service Co., Ltd. (China Merchants Property)	An associate of the Controlling Shareholder
Shenzhen AVIC Guanlan Real Estate Development Co., Ltd. (AVIC Guanlan Real Estate)	An associate of the Controlling Shareholder
China Merchants 9 Square Commercial Management (Shenzhen) Ltd. (9 Square Assets)	An associate of the Controlling Shareholder
Shenzhen AVIC City Investment Co., Ltd.(AVIC City Investment)	An associate of the Controlling Shareholder
Ganzhou CATIC 9 Square Commerce Co., Ltd. (Ganzhou 9 Square)	An associate of the Controlling Shareholder
AVIC City Property (Kunshan) Co., Ltd. (AVIC City Property (Kunshan))	An associate of the Controlling Shareholder
Shenzhen AVIC Security Service Co., Ltd. (AVIC Security Service)	An associate of the Controlling Shareholder
Jiujiang 9 Square Commerce Management Co., Ltd. (9 Square Commerce Management)	An associate of the Controlling Shareholder
Shenzhen AVIC Real Estate Development Co., Ltd. (AVIC Real Estate)	An associate of the Controlling Shareholder
Shaanxi Baocheng Aviation Instruments Co., Ltd. (Shaanxi Baocheng)	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
AVIC Lutong Company Limited. (AVIC Lutong)	Controlled by the same party
AVIC International Aero-Development Corporation (AVIC Aero-Development)	Controlled by the same party
AVIC Huadong Photoelectric Co., Ltd. (Huadong Photoelectric)	Controlled by the same party
AVIC Flight Automatic Control Research Institute (FACRI)	Controlled by the same party
Nanjing Engineering Institute of Aircraft Systems (NEIAS)	Controlled by the same party
AVIC Industry Supply and Marketing Co., Ltd. (AVIC Industry Supply & Marketing)	Controlled by the same party
AVIC Hubei Steel Special Steel Sales Co., Ltd. (AVIC Hubei Steel)	Controlled by the same party
AVIC (Chengdu) UAV System Co., Ltd. (AVIC UAV)	Controlled by the same party
Harbin Hafei Aviation Industry Co., Ltd. (Hafei Aviation)	Controlled by the same party
Shenzhen AVIC Grand Skylight Hotel Management Co., Ltd. (Grand	Controlled by the same party

Skylight Hotel Management)	
Shenzhen AVIC City Commerce Development Co., Ltd. (AVIC City Commerce Development)	Controlled by the same party
Shenzhen AVIC Center Commerce Development Co., Ltd. (AVIC Center Commerce Development)	Controlled by the same party
Tianma Micro-electronics Co., Ltd. (SHEN TIANMA)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC Securities)	Controlled by the same party
Xi' an Skytel Hotel Co., Ltd. (Skytel Hotel)	Controlled by the same party
Shenzhen AVIC Training Center (AVIC Training Center)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance)	Controlled by the same party
Shenzhen AVIC Grand Skylight Hotel Co., Ltd. (Grand Skylight Hotel)	Controlled by the same party
Gongqingcheng CATIC Cultural Investment Co., Ltd. (Gongqingcheng CATIC Cultural Investment)	Controlled by the same party
AVIC International Simulation Technology Service Co., Ltd. (AVIC International Simulation)	Controlled by the same party
AVIC Jonhon Optronic Technology Co.,Ltd. (AVIC Optronic)	Controlled by the same party
AVIC General Aircraft Co., Ltd. Zhuhai Composite Material Technology Branch (AVIC General Aircraft Zhuhai Branch)	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
Director, Manager, Chief Financial Officer and Secretary of the Board of the Company	A senior executive

5. Related transactions

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

Statement of purchase of commodities and acceptance of labor services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Transaction quota as approved	Has it exceeded the transaction quota	Amount incurred in the previous period
AVIC Property	Water & power supply and property management fee	5,394,418.03	18,000,000.00	No	5,938,619.97
Rainbow Ltd.	Shopping mall fees/purchase of goods	2,662,052.00	10,000,000.00	No	2,389,264.94
AVIC Training Center	Training fee	-2,298.55	500,000.00	No	
Ganzhou 9 Square	Shopping mall fees	89,105.10	2,000,000.00	No	92,549.84
9 Square Commerce Management Co., Ltd.	Shopping mall fees	42,485.78			43,147.68
SHEN TIANMA	Procurement of				31,309.90

	goods				
AVIC Building Co.	Refurbishment	32,924.52			32,924.52
AVIC City Commerce Development	Shopping mall fees				19,346.13
AVIC Nanguang	Elevator maintenance	122,830.20			122,830.20

Statement of sales of goods/supply of services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Amount incurred in the previous period
Rainbow Ltd.	Products and labor services	42,139,011.64	29,669,833.80
Ganzhou 9 Square	Products and labor services		8,748.67
Shennan Circuit	Sales of materials and supply of services	1,356,891.42	3,086,589.15
Gongqingcheng CATIC Cultural Investment	Sales of products	307,621.86	182,271.24
AVIC International	Sales of products	8,610.61	4,424.78
AVIC City Commerce Development	Sales of products		94,585.88
Shanghai Watch Industry	Sales of products		1,812,292.04
Huadong Photoelectric	Sales of products		247,787.61
AVIC Supply & Marketing	Sales of products		7,079.65
AVIC Aviation Development	Sales of products		140,884.97
AVIC Lutong	Sales of products		14,123.89
AVIC Nanjing Electro-Mechanical Research Center	Sales of products		176,991.15
FACRI	Sales of products		7,061.95
AVIC International Simulation	Sales of products	60,530.97	
AVIC Optronics	Sales of products	346,870.70	
AVIC General Aircraft Zhuhai Branch	Sales of products	17,699.13	
AVIC IHL (Zhuhai)	Sales of products	10,592.92	
CATIC	Sales of products	105,929.20	

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

(1)The Group adopts market price for its pricing policy for related transactions;

(2)The above transaction volume does not include 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	5,721,901.64	6,196,298.09
CMPO	Housing		972,906.73
AVIC City Investment	Housing		139,986.58
AVIC Securities	Housing	681,600.00	657,257.16
Rainbow Ltd.	Housing	548,843.48	696,114.82
9 Square Assets	Housing		1,042,900.03
CATIC Public Security Service Co.	Housing	399,724.38	502,635.07
Guanlan Real Estate	Housing		69,993.29
AVIC Real Estate	Housing		140,569.86

The Company as lessee:

In CNY

Names of lessees	Categories of leasehold properties	Rental fee recognized in the current period	Rental fee recognized in the previous period
Ganzhou 9 Square	Housing	475,674.30	449,741.52
AVIC City Property (Kunshan)	Housing	68,571.42	
9 Square Commerce Management Co., Ltd.	Housing	290,728.10	192,860.44
AVIC City Commerce Development	Housing		68,807.29

Note to the related lease

(1)The Group adopts market price for its pricing policy for related transactions;

(2)The above transaction volume does not include tax amount.

(4) Related guarantee

Inapplicable

(5) Borrowings and lendings among related parties

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 155,266,966.15, of which the deposit interest received during the year amounted to CNY 244,618.36.

6. Accounts receivable from and payable to related parties**(1) Receivables**

In CNY

Project name	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Notes receivable:					
	Shennan Circuit	973,731.59		5,083,025.01	
	Shaanxi Baocheng			50,000.00	2,500.00
Accounts receivable:					
	Rainbow Ltd.	7,097,155.30	153,922.94	9,489,446.66	285,632.34
	Shennan Circuit	480,325.88	24,016.30	1,370,425.31	41,249.80
	Ganzhou 9 Square	3,500.00	175.00		
	Gongqingcheng CATIC Cultural Investment	52,299.70	2,614.99	58,834.76	
	AVIC Property	183,809.37	12,541.06	40,947.74	
	HAFEI Aviation			20,130.00	605.91
	CATIC Public Security Service Co.			0.27	0.01
	AVIC Optronics	391,963.89	19,598.19		
	AVIC General Aircraft Zhuhai Branch	20,000.00	1,000.00		
Other receivables					
	Rainbow Ltd.	1,010,955.00	50,547.75	1,064,073.00	45,648.73
	Ganzhou 9 Square	192,064.00	9,603.20	189,432.77	8,126.67
	AVIC City Property (Kunshan)	56,000.00	2,800.00	40,000.00	1,716.00
	Gongqingcheng CATIC Cultural Investment			7,462.00	320.12
	9 Square Commerce Management Co., Ltd.	50,000.00	2,500.00	50,000.00	2,145.00
	AVIC IHL			11,101.80	476.27
	AVIC Training Center			2,464.00	74.17

(2) Payables

In CNY

Project name	Related parties	Ending book balance	Opening book balance
Other payables:	AVIC Property	2,298,674.20	1,717,018.14
	CMPO		442,407.92
	AVIC City Investment		309,732.00
	AVIC Securities	238,560.00	238,560.00
	AVIC Building Co.	31,270.67	47,732.93
	Rainbow Ltd.	144,651.82	257,490.98
	AVIC Real Estate		51,014.88
	Guanlan Real Estate		25,401.60
	CATIC Public Security Service Co.	226,603.44	226,603.44
	AVIC Nanguang		25,179.84
Advance receipts:	Huadong Photoelectric		10,500.00
	AVIC Securities	119,280.00	

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 during the reporting period	7,660,000.00
Total amount of various equity instruments of the Company exercisable during the reporting period	1,357,641.00
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	The exercise price of restricted stocks in the first phase: CNY 4.4/share, and the remaining unlocked shares shall be unlocked in January 2022 and January 2023 respectively; the exercise price of restricted stocks in the second phase: CNY 7.6 /share, and the remaining unlocked shares shall be unlocked in January 2023, January 2024, and January 2025, respectively.
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	Inapplicable

2. Stock payment for equity settlement

In CNY

Method for determining the fair value of equity instruments	Closing price of the Company's stock on the grant date
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granted	
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	81,004,836.53
Total expenses recognized in the equity-settled share-based payment during the reporting period	6,158,808.77

3. Stock payment for cash settlement

Inapplicable

4. Correction and termination of stock payment

Inapplicable

5. Others

Inapplicable

XIV. Commitments and contingencies

1. Important commitments

Important commitments existing as at the balance sheet date

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

Minimum rent payment for irrevocable operational lease	Ending balance	Opening balance
1st year after the balance sheet day	82,187,671.26	81,612,695.21
2nd year after the balance sheet day	40,485,074.22	37,104,794.98
3rd year after the balance sheet day	17,360,276.92	16,579,529.38
Subsequent years	7,911,129.31	3,567,104.00
Total	147,944,151.72	138,864,123.57

2. Contingencies

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

As of June 30, 2021, the guarantees within the Group are as follows:(In CNY 10,000):

Guarantees	Guarantors	Guarantees	Credit line	Used credit line	Effective date	Expiring date
Harmony	The Company	L/G	30,000.00	10,000.00	December 30, 2020	December 29, 2021
	The Company	L/G	20,000.00	5,000.00	October 01, 2020	December 31, 2021
Science & Technology Development	The Company	Notes discounted	3,000.00	486.00	April 21, 2020	April 19, 2021
				315.00	June 23, 2021	June 02, 2022

Co.						
Total			53,000.00	15,801.00		

(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

	In CNY
Profit or dividend to be distributed	174,220,065.73
Profit or dividend announced to be distributed after review and approval	174,220,065.73

3. Sales return

Inapplicable

4. Note to other matters after the balance sheet date**(1) Restricted Stock Incentive Plan**

On July 1, 2021, the Company's 2021 3rd Extraordinary General Meeting reviewed and approved the "Proposal on Repurchase and Cancellation of Part of the Restricted A-Shares Stock Incentive Plan in 2018 (Phase I)", and decided to repurchase and cancel 33,350 A-share restricted stocks which have been held by the original incentive object who has resigned and have been granted but have not yet lifted the restriction on sales at a repurchase price of CNY 3.60 per share; reviewed and approved the "Proposal on Repurchase and Cancellation of Part of the Restricted A-Shares Stock Incentive Plan in 2018 (Phase II)", and decided to repurchase and cancel 100,000 restricted A-share restricted stocks which have been held by the original incentive object who has been retired and have been granted but have not lifted the restriction on sales at the repurchase price of CNY 7.20 per share. As of a trading day before the disclosure, the procedures for the repurchase and cancellation of the relevant A-share restricted stocks has not been completed.

On July 1, 2021, the 31st session of the Ninth Board of Directors and the 27th session of the Ninth Supervisory Committee reviewed and approved the "Proposal on Repurchase and Cancellation of Part of the Restricted A-Shares Stock Incentive Plan in 2018 (Phase I)", according to which the Company intended to repurchase and cancel a total of 66,700 A-share restricted shares that were granted with the restriction not released to 1 retired former incentive objects at the repurchase price of CNY 3.60/share. The proposal still needs to be submitted to the Company's General Meeting for discussion and approval.

On July 06, 2021, the Company completed the procedures of repurchase and cancellation of 40,020 A-share restricted stocks which have been held by 2 original incentive objects who have been retired and have been granted but have not yet lifted the restriction on sales; and on the same day, the Company completed the procedures of repurchase and cancellation of 120,000 A-share restricted stocks which have been held by 3 original incentive objects who have been

retired and have been granted but have not yet lifted the restriction on sales involved in the Restricted A-Shares Stock Incentive Plan in 2018 (Phase II). After cancellation of the repurchased shares, the total capital stock of the Company decreased from 435,550,522 shares to 435,390,502 shares.

On August 18, 2021, the 32nd session of the Ninth Board of Directors and the 28th session of the Ninth Supervisory Committee reviewed and approved the “Proposal on Repurchase and Cancellation of Part of the Restricted A-Shares Stock Incentive Plan in 2018 (Phase I)” , according to which the Company intended to repurchase and cancel a total of 35,351 A-share restricted shares that were granted with the restriction not released to 2 retired former incentive objects at the repurchase price of CNY 3.60/share. The proposal still needs to be submitted to the Company's General Meeting for discussion and approval.

On August 18, 2021, the 32nd session of the Ninth Board of Directors and the 28th session of the Ninth Supervisory Committee reviewed and approved the “Proposal on Repurchase and Cancellation of Part of the Restricted A-Shares Stock Incentive Plan in 2018 (Phase I)” , according to which the Company intended to repurchase and cancel a total of 110,000 A-share restricted shares that were granted with the restriction not released to 2 retired former incentive objects at the repurchase price of CNY 7.20/share. The proposal still needs to be submitted to the Company's General Meeting for discussion and approval.

(2) Repurchase of shares

The 7th session of the Ninth Board of Directors held on July 06, 2020 and 2020 2nd Extraordinary General Meeting held on July 23, 2020, reviewed and approved the “Proposal for the Repurchase of Partial Domestically Listed Foreign Shares in the Company (B-shares)” . As of July 22, 2021 when the stock repurchase deadline expired, the Company accumulatively repurchased 8,994,086 shares in the Company through a centralized bidding method with the special account for the securities repurchased , accounting for 2.07% of the Company 's total share capital. The highest transaction price of the repurchased shares was HK\$6.74 per share, and the lowest transaction price was HK\$5.93/share, the total amount paid was HK\$ 58,207,259.08 (with the transaction cost exclusive). As of August 3, 2021, the cancellation of the Company's share repurchase was completed, and the Company's total share capital has been reduced from 435,390,502 shares to 426,396,416 shares.

(3) Change of the members of the Board of Directors and the Supervisory Committee

2021 3rd Extraordinary General Meeting held on July 1, 2021 reviewed and passed the "Proposal on the Proposed Change of Directors” according to which Mr. Zhang Xuhua was elected a nonb-independent director of the Ninth Board of Directors of the Company with the tenure from the date of the approval by the general meeting to the date of expiry of the Ninth Board of Directors. On the same day, after review and approval at the 31st session of the Ninth Board of Directors of the Company, Director Mr. Zhang Xuhua was elected as the Chairman of the Board of the Company with the tenure from the date of the approval by the general meeting to the date of expiry of the Ninth Board of Directors.

The 32nd session of the Ninth Board of Directors of the Company held on August 18, 2021 reviewed and approved the “Proposal on the Election of Non-Independent Directors for the Company's New Board of Directors” and the “Proposal on the Election of Independent Directors for the Company's New Board of Directors.” Given that the term of the Company 's Ninth Board of Directors is going to expire on September 11, 2021, according to relevant regulations, AVIC IHL, the Company 's controlling shareholder, nominated Mr. Zhang Xuhua, Mr. Xiao Yi, Mr. Xiao Zhanglin, Mr. Li Peiyin, Mr. Deng Jianghu, and Mr. Pan Bo as candidates for non-independent directors of the Company's Tenth Board of Directors; the Board of Directors is going to nominate Mr. Wang Jianxin, Mr. Zhong Hongming, and Mr. Tang Xiaofei as candidates for

independent directors of the Company's Tenth Board of Directors. The above two proposals still need to be submitted to the Company's General Meeting for deliberation, and the qualification and independence of independent director candidates need to be filed with the Shenzhen Stock Exchange before voting at the General Meeting.

The 28th meeting of the Ninth Supervisory Committee of the Company held on August 18, 2021, reviewed and approved the "Proposal on the Election for the New Supervisory Committee of the Company". According to relevant regulations, AVIC IHL, the Company's controlling shareholder, nominated Mr. Zheng Qiyuan and Ms. Cao Zhen as candidates of non-employee supervisors of the 10th Supervisory Committee of the Company. The proposal still needs to be submitted to the Company's General Meeting for discussion and approval.

(4) Change of the Accounting Firm

The 32nd Session of the Ninth Board of Directors and the 28th Session of the Ninth Supervisory Committee reviewed and approved the "Proposal on Change of the Accounting Firm". As the employment term of Grant Thornton LLP as the Company's auditor expired, according to the Company's business development needs, in order to better promote the development of audit work, after comprehensive evaluation and prudent consideration, the Company plans to employ Dahua accounting firm (special general partnership) as the Company's auditor of the financial statements and internal control. The proposal still needs to be submitted to the Company's General Meeting for discussion and approval.

(5) Related transactions

The 32nd session of the 9th Board of Directors and the 28th session of the 9th Supervisory Committee held on August 18, 2021, reviewed and approved the "Proposal on Signing a Financial Service Agreement with AVIC Finance Co., Ltd.", and decided to terminate the previous agreement with AVIC Finance and re-sign the "Financial Service Agreement". The proposal still needs to be submitted to the Company's General Meeting for discussion and approval.

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**

Inapplicable

(2) Financial information of the reporting segments

Inapplicable

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

Inapplicable

(4) Other notes

Inapplicable

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

Inapplicable

8. Others

Inapplicable

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

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Including:										
Accounts receivable for which bad debt reserve has been provided based on portfolios	3,532,773.98	100.00%	424,515.05	12.02%	3,108,258.93	1,776,602.11	100.00%	311,803.32	17.55%	1,464,798.79
Including:										
Accounts receivable from other customers	3,532,773.98	100.00%	424,515.05	12.02%	3,108,258.93	1,776,602.11	100.00%	311,803.32	17.55%	1,464,798.79
Total	3,532,773.98	100.00%	424,515.05	12.02%	3,108,258.93	1,776,602.11	100.00%	311,803.32	17.55%	1,464,798.79

Individual provision for bad and doubtful debts:

Inapplicable

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	3,532,773.98	424,515.05	12.02%
Total	3,532,773.98	424,515.05	--

Note to the basis for determining the combination:

Inapplicable

Provision for bad and doubtful debts based on portfolio:

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)	3,335,859.99
1 to 2 years	196,913.99
Total	3,532,773.98

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Written-off	Others	
Bad debt reserve	311,803.32	112,711.73				424,515.05
Total	311,803.32	112,711.73				424,515.05

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

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Description of Unit	Ending balance of the accounts receivable	Proportion in total ending balance of accounts receivable	Ending balance of the provision for bad debts
Ending balance owed by the top five customer debtors based on the ending balance	2,465,100.24	69.78%	168,190.34
Total	2,465,100.24	69.78%	

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

Inapplicable

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

Inapplicable

(2) Other receivables

In CNY

Items	Ending balance	Opening balance
Other receivables	578,424,821.93	621,512,680.69
Total	578,424,821.93	621,512,680.69

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

Inapplicable

2) Significant overdue interest

Inapplicable

3) Provision for bad debts

Inapplicable

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

Inapplicable

2) Significant dividends receivable with age exceeding 1 year

Inapplicable

3) Provision for bad debts

Inapplicable

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

In CNY

Nature of Payment	Ending book balance	Opening book balance
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Dealings among related parties within the consolidation scope	574,537,694.12	620,792,324.27
Security deposit	3,277,526.90	217,525.90
Employees' social security premium reimbursed	81,249.56	392,074.21
Others	728,660.73	196,662.43
Total	578,625,131.31	621,598,586.81

2) Provision for bad debts

In CNY

Bad debt reserve	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, 2021	85,906.12			85,906.12
Balance as at January 1, 2021 in the reporting period	---	---	---	---
Provision in the reporting period	114,403.26			114,403.26
Balance as at June 30, 2021	200,309.38			200,309.38

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)	578,388,773.78
1 to 2 years	195,711.90
2 to 3 years	595.63
Over 3 years	40,050.00
3 to 4 years	0.00
4 to 5 years	0.00
Over 5 years	40,050.00
Total	578,625,131.31

3) Bad debt provision accrual, received or reversed in the reporting period

Inapplicable

4) Other receivables actually written off in the reporting period

Inapplicable

5) Other receivables owed by the top five debtors based on the ending balance

In CNY

Description of Unit	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Accounts receivable owed by the top five debtors based on the ending balance	Current accounts, etc.	577,047,481.52	Within 1 year	99.73%	145,000.05
Total	--	577,047,481.52	--	99.73%	145,000.05

6) Accounts receivable involving government subsidy

Inapplicable

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

Inapplicable

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

Inapplicable

3. Long-term equity investments

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	1,482,456,650.5 5		1,482,456,650.5 5	1,478,014,522.3 6		1,478,014,522.3 6
Investment in associates and joint ventures	53,029,994.16		53,029,994.16	51,400,665.92		51,400,665.92
Total	1,535,486,644.7 1		1,535,486,644.7 1	1,529,415,188.2 8		1,529,415,188.2 8

(1) Investment in subsidiaries

In CNY

Investees	Opening balance (book value)	Increase/ Decrease (+ / -) in the reporting period				Ending balance (book value)	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Provision for impairment	Others		
Harmony	604,067,211.20				1,849,555.21	605,916,766.41	
Harmony E-Commerce Limited	11,684,484.39					11,684,484.39	
Precision Technology Co.	99,800,505.05				706,501.43	100,507,006.48	

Science & Technology Development Co.	50,245,552.53					285,905.92	50,531,458.45	
the Hong Kong Co.	137,737,520.00						137,737,520.00	
SHIYUEHUI	5,000,000.00						5,000,000.00	
The Sales Co.	453,130,819.72					1,279,470.28	454,410,290.00	
Hengdarui	36,867,843.96						36,867,843.96	
Emile Choureit (Shenzhen)	79,480,585.51					320,695.35	79,801,280.86	
Total	1,478,014,522.36					4,442,128.19	1,482,456,650.55	

(2) Investment in associates and joint ventures

In CNY

Investees	Opening balance (book value)	Increase/ Decrease (+ / -) in the reporting period								Ending balance (book value)	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai Watch Industry Co., Ltd.	51,400,665.92			1,629,328.24						53,029,994.16	
Sub-total	51,400,665.92			1,629,328.24						53,029,994.16	
Total	51,400,665.92			1,629,328.24						53,029,994.16	

(3) Other notes

Inapplicable

4. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	82,132,996.59	17,699,646.51	57,329,018.41	17,626,390.24
Other businesses	4,601,153.13	0	-15,800.00	0
Total	86,734,149.72	17,699,646.51	57,313,218.41	17,626,390.24

Information in connection with the revenue:

In CNY

Classification of Contracts	Segment 1	Segment 2		Total
Including:				
Leases	82,132,996.59			82,132,996.59
Others	4,601,153.13			4,601,153.13
Including:				
Northwest China	10,780,902.77			10,780,902.77
South China	75,953,246.95			75,953,246.95

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 CNY 0.00, of which CNY 0.00 is expected to be recognized as revenue in the year, CNY 0.00 is expected to be recognized as revenue in the year, and CNY 0.00 is expected to be recognized as revenue in the year. Inapplicable

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	1,629,328.24	2,160,911.92
Total	1,629,328.24	2,160,911.92

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	-73,807.46	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's business and conform with the national standard amount or quantity)	12,113,496.28	
Reversal of the impairment	976,332.27	

provision for receivables and contract assets which have been tested individually for impairment		
Other non-operating income and expenses other than the aforesaid items	-587,690.85	
Less: Amount affected by the income tax	2,679,837.11	
Total	9,748,493.13	--

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

Inapplicable

2. ROE and EPS

Profit in the reporting period	Return on equity, weighted average	Earnings per share	
		Basic earning per share (CNY/share)	Diluted earning per share (CNY/share)
Net profit attributable to the Company's shareholders of ordinary shares	8.09%	0.5421	0.5421
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	7.76%	0.5192	0.5192

3. Discrepancy in accounting data between IAS and CAS

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

Inapplicable

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

Inapplicable

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

Inapplicable

4. Others

Inapplicable

FIYTA Precision Technology Co., Ltd.

Board of Directors

August 20, 2021