

FIYTA 飞亚达

FIYTA Precision Technology Co., Ltd.

2021 Annual Report

March, 2022

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

In 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 the Company's future development prospect in Section 3 Discussion and Analysis of the Management.

The profit distribution preplan reviewed and approved by the Board of Directors is summarized as follows: based on the number of shares after deducting the shares in the special securities account for repurchase from the total number of shares on the equity registration date when the profit distribution plan is implemented in the future, the Company is going to distribute cash dividend to all shareholders at the rate of CNY 3.00 (with tax inclusive) for every 10 shares, and 0 bonus shares (with tax inclusive) shall be distributed and no public reserve shall be capitalized.

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Documents Available for Inspection

I. Financial Statements signed by and under the seal of the legal representative, chief accountant and accounting supervisors;

II. The original Auditors' Report affixed with the seal of the accounting firm, signed by and affixed with the seal of the certified public accountant.

III. Originals of all documents and manuscripts of all the Company's documents disclosed to the public during the reporting period.

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 Industrial	Refers to	AVIC International Industrial Holding Co., Ltd.
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 Information

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 the 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		
Registered address:	FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen		
Postal Code of the Registered Address	518057		
Changes of the Company's Registered Address	On January 30, 1997, the Company's registered address was changed from "Building 6, CATIC Zone, Shennan Road Central, Shenzhen" to "Building 6, CATIC Zone, Shennan Road Central, Futian District, Shenzhen"; on April 5, 2000, the registered address was changed to "Fiyta Building, 163 Zhenhua Road, Futian District, Shenzhen"; on February 20, 2004, the registered address was changed to "FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen".		
Office Address	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen		
Postal Code of the Registered Address	518057		
Website:	www.fiytagroup.com		
E-mail:	investor@fiyta.com.cn		

II. Liaison Persons and Communication Information

	Secretary of the Board	Securities Affairs Representative
Names	Song Yaoming (acting)	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. Information Disclosure and Place where the Regular Reports are Prepared

The website of the Stock Exchange on which the Company discloses the Annual Report	http://www.szse.cn
Names and websites of the media on which the Company discloses the Annual Report	Securities Times, Hong Kong Commercial Daily, and www.cninfo.com.cn
Place where the Company's Annual Report was prepared and is placed for inquiry	The Planning & Operation Department of the Company

IV. Changes in Registration

Organization Code	91440300192189783K
Changes in principal business activities since listing (if any)	No change
Changes in the controlling shareholder over the past years (if any)	No change

V. Other Relevant Information

The CPAs appointed by the Company

Name of the CPAs	Da Hua Certified Public Accountants (Special General Partnership)
Office address	1101, Building 7, No. 16 Xisi huanzhong Road, Haidian District, Beijing
Names of the CPAs as the authorized signatories	Long Jiao and Wang Dong

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

Inapplicable

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

Inapplicable

VI. Summary of Accounting/Financial Data

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

No

	2021	2020	Increase/decrease in the reporting year over the previous year	2019
Turnover in CNY	5,243,733,540.93	4,243,439,952.59	23.57%	3,704,210,734.90
Net profit attributable to the Company's shareholders, in CNY	387,840,282.95	294,115,156.04	31.87%	215,909,014.15
Net profit attributable to the Company's	369,418,754.83	269,095,012.41	37.28%	199,678,661.09

shareholders less the non-recurring items, in CNY				
Net cash flows arising from operating activities, in CNY	547,249,108.45	378,210,505.87	44.69%	444,820,768.61
Basic earning per share (CNY/share)	0.9036	0.6764	33.59%	0.4943
Diluted earning per share (CNY/share)	0.9036	0.6764	33.59%	0.4943
Return on equity, weighted average (%)	13.39%	10.78%	2.61%	8.21%
	End of 2021	End of 2020	Increase/decrease of the end of the reporting year over the end of the previous year	End of 2019
Total assets, in CNY	4,110,579,952.49	4,018,712,700.18	2.29%	3,760,923,285.37
Net assets attributable to the Company's shareholders (owner's equity attributable to the Company's shareholders, in CNY)	3,013,232,642.53	2,799,948,388.09	7.62%	2,654,533,766.99

The lower of the Company's net profit before and after the deduction of non-recurring gains and losses in the last three fiscal years is negative, and the auditor's report of the previous year shows that the Company's going concern ability is uncertain.

No

The lower of the net profit before and after the deduction of the non-recurring gains and losses is negative.

No

VII. Discrepancy in accounting data between IAS and CAS

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

Inapplicable

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

Inapplicable

VIII. Financial Data Summary based on Quarters

In CNY

	The first quarter	The second quarter	The third quarter	The fourth quarter
Turnover	1,378,277,735.81	1,399,241,785.53	1,307,278,222.69	1,158,935,796.90
Net profit attributable to the Company's shareholders	118,222,042.23	115,322,684.32	109,034,679.41	45,260,876.99

Net profit less the non-recurring profit/loss attributable to the Company's shareholders	113,576,505.85	110,219,727.57	104,537,027.94	41,085,493.47
Net cash flows arising from operating activities	28,711,219.83	176,443,344.10	163,056,189.37	179,038,355.15

Are the above financial indicators or their totals significantly different from the financial indicators disclosed by the Company in the quarterly and semi-annual reports?

No

IX. Extraordinary items and amount

In CNY

Items	Amount in 2021	Amount in 2020	Amount in 2019	Note
Gain/loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets.	730,134.87	-369,857.30	-926,118.60	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's normal business and conform with the national standard amount or quantity)	23,476,186.50	30,634,128.57	18,428,906.18	
Reversal of provision for impairment of accounts receivable that has been separately tested for impairment	2,225,653.32	163,925.30		
Other non-operating income and expenses other than the aforesaid items	-3,058,731.52	1,556,300.78	3,353,916.43	
Less: Amount affected by the income tax	4,951,715.05	6,964,353.72	4,626,350.95	
Total	18,421,528.12	25,020,143.63	16,230,353.06	--

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

Inapplicable

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

Inapplicable

Section 3 Discussion and Analysis by the Management

I. About the Industry the Company Engages in

As a representative of precision technology, watches bear diversified attributes of function and art. They carry emotional needs such as "love" and "beauty" on the wrist, and are gradually becoming a symbolic representation of consumers' pursuit of quality life.

Watch industry in which the Company engages has experienced flourishing for centuries with continuous appearance, technological innovation and profound historical and cultural accumulation. It has formed a relatively stable industry structure. The high-end luxury watches mainly represented by Swiss watch brands, mid-end and fashion watches composed represented by European and American brands, Japanese brands, and domestic brands are facing the broad global watch consumer market.

With the economic growth of China, consumption upgrading and the guidance of consumption policies, the continuous expansion of the domestic watch consumption market has become a consensus. Even after the impact of COVID-19, its overall scale has a compound growth rate of more than 6% in the past five years.

What is noticeable that the expansion of high-net-worth individuals and the change of consumption concept have promoted the continuous popularization and rejuvenation of domestic mid-to-high-end consumption, and the consumption of mid-to-high-end watches mainly by Swiss watch brands has performed well. According to the statistics of the Swiss Watch Industry Federation, the compound growth rate of Swiss watch exports to Mainland China in the past five years is nearly 20%, and it will hit a record high in 2021. At the same time, driven by the overall improvement of domestic manufacturing level, digital transformation, cultural self-confidence and return of consumption, the rise of national tide culture, domestic brands in the watch industry have also ushered in new development opportunities, and continue to upgrade quality and personalization.

In August 2021, the tenth meeting of the Central Committee for Financial and Economic Affairs made policy arrangements on promoting common prosperity, further clarifying the expansion of the scale of the middle-income group and optimizing the income structure.

It is true that economic development and policy dividends have provided many development opportunities for the industry we are in, but also brought about great challenges.

At present, the mid-to-high-end watch brands dominated by the Swiss watch brand are still the main driving force for the growth of the industry, and the top brand effect is significant. Domestic watch brands are facing many challenges in terms of operational capabilities and resource integration capabilities. The rapid development has put forward a new topic of accelerating digital transformation for offline physical business; the normalization and periodic repetition of COVID-19 has caused cyclical fluctuations in the consumer market and consumer confidence.

Year 2021 is the first year of the "14th Five-Year Plan". We are now standing on a new level. Looking back at the past 30 years, the Company has always been deeply involved in the watch industry, and has grown into a flagship company in

China's watch industry. The "FIYTA" brand has become one of the most well-known watch brands in China after the reform and opening up, and the market share and comprehensive competitive strength of HARMONY watch retail business rank among the forefront of the domestic watch retail industry. In the face of increasing industry competition, we shall adhere to the "empty cup attitude", face up to the challenges, seize opportunities, and take the initiative to consolidate and enhance core competitiveness to adapt to market changes.

The road is ahead. We believe that time shall witness our growth.

II. Main business the Company operated in the reporting period

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.

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

The Company adheres to the original intention of "Big Country Brand", and relies on precision manufacturing technology, brand influence and channel deep cultivation to promote continuous brand breakthroughs. The Company's sales scale is at the forefront of the industry. Over the years, the Company has achieved a favorable industry recognition and reputation. In 2021, the Company was honorably awarded the titles of "International Reputation Brand", "Top 200 Enterprises in China's Light Industry", "Top 20 Listed Companies in Governance in the Greater Bay Area in 2021", and was granted "Shenzhen R&D and Standardization Synchronization Demonstration Enterprise Grade A", and its wholly-owned subsidiary was elected in the List of Key Technologically Advanced Enterprises in Guangdong Province. Accompanied by the launch of the "Shenzhou 12" manned spacecraft, the Company has once again helped China's manned spaceflight industry.

III. Analysis on Core Competitiveness

(I) Adhering to Brand Leadership and Having Accumulated Rich Experience in Brand Management

Since its establishment, FIYTA has always adhered to brand leadership, with building of a flagship brand in the Chinese watch industry as its development goal, and has achieved multiple industry firsts in brand building, marketing communication, product design, etc., and has a solid brand operation foundation. In the 1990s, with the CCTV news broadcast announcing "FIYTA Telling Time for you", the Company successfully established the popularity and influence of the FIYTA Brand in China; at the beginning of the 21st century, since the Chinese astronauts first entered space, their professional chronographs were all manufactured by FIYTA. "FIYTA" has become one of the world's three biggest aerospace watch brands, and the spirit of professional watchmaking continues to be passed on with the country's manned aerospace industry. Meanwhile, the Company actively promoted the development of internationalization and by participating in the preparation of international standards, entered BASELWORLD etc., strengthen exchanges and interactions with outstanding Swiss brands, played an active role on the world watch stage, and persistently increased global influence.

(II) Construction of Deep Ploughed Channel and Creating Excellent Channel Management Ability

FIYTA persistently constructed the deeply ploughed channel, and continuously provided a source of power for brand development with high-quality services and refined operation capability. The Company has formed a globalized sales network centered on the domestic market. FIYTA brand channels have been distributed in more than 30 countries and regions around the world, with more than 3,000 business outlets; HARMONY World Watch Retailers have upgraded the deep ploughed channels with more than 200 business outlets; on the basis of full coverage of cooperation with mainstream e-commerce platforms, the Company focused on promoting the expansion of innovative channels, and started trial for the new channels, such as live video, mini programs, etc. The Company has always devoted itself to building the ability of outstanding channel operation, powerful team, excellent services, and providing customers with the best consumption experience in all aspects. The "Three-Level Marketing", "Perfect Sales", "Outstanding Operation" etc. have already been deposited as the core work logic of channel operation.

In recent years, the Company has comprehensively promoted digital construction, made a preliminary result in the digital transformation and achieved full coverage of online and offline self-operated stores, and shall provide customers with more systematic professional services and create more value.

(III) Building the Advantages of the Leading Core technology Based on Precision Technology

Over more than 30 years, the company has been devoting itself to the building of precision technology research and development capability, has successively built advanced R & D, production technology and manufacturing technology platforms, and has established R & D and production bases in Shenzhen and Switzerland respectively; and has established professional watchmaking capabilities, including self-made driving units of watches and key components manufacturing, space watch research and development and high-end watchmaking techniques, etc., and achieved continuous breakthroughs in research and development and application of new materials, new processes and new technologies. At present, the Company has 2 national high-tech enterprises, established a national enterprise technology center, a national industrial design center, and is a national technological innovation demonstration enterprise. The Company has accumulatively applied for 611 patents and been granted 566 patents, including 4 honorable mentions of the Chinese patents, 1 gold award of China Design and 5 honorable mentions of China design; the Company has taken lead in preparation of more than 55% of the national watch industry standards and has also actively participated in preparation of the international industrial standards and took lead and participated in preparation of many international standards.

IV. Analysis on Principal Businesses

1. General

In 2021, the macro economy was full of complexity, and the rebound of consumption gradually slowed down since the third quarter, and the year-on-year growth rate of total domestic retail sales projected a “high to low” outlook. In the face of the complex and changeable consumer market, repeated epidemics in many places and occasional natural disasters and many other impacts, the Company continued to focus on "Brand Strength, Product Strength, and Channel Strength" on the premise of strictly preventing and controlling the epidemic and ensuring the health of employees, made every effort to promote high-quality development and the implementation of the strategy of great brand, and cooperated with all employees to effectively respond to external pressures and challenges, and continued to achieve breakthrough in the business performances. In the reporting period, the Company realized revenue amounting to CNY 5,243.73 million with year-on-year growth of 23.57% and realized total profit amounting to CNY 502.33 million with a year-on-year growth of 34.51%. The Company realized growth and reached new highs successively for five years. At the same time, the Company's operational capability and efficiency were further improved. The return on net assets reached 13.39%, an increase of 2.61 percentage points year-on-year; the inventory turnover rate reached 1.57 times, an increase of 0.22 times year-on-year.

(1) Adhered to brand leadership and continued to promote brand building and product operation capability

During the reporting period, the FIYTA brand solidly promoted the integration of products and sales, renewed the brand image of the terminal, deepened the core DNA of aerospace, and carried out integration of the marketing activities in conjunction with the "Shenzhou 12", "Zhuhai Air Show", "Aerospace Month" and other hot spots. As a result, the revenue from aerospace series products increased significantly year-on-year. The Company deeply cultured the core series, optimized the logic of new product development, and significantly improved the success rate of new product development; continued to focus on "excellent operation", "outstanding sales" and CRM system, and solidly promoted refinement in operation, and achieved an increase in the average unit price per customer by 12% year-on-year. HARMONY continued to consolidate its operation capability and dig deep into the dimensions of high-quality services, excellent operation, and customer research. The average single-store output of the old stores increased by 27.93% year-on-year, the average customer unit price increased by 25.44% year-on-year, and the inventory turnover rate exceeded 2 times.

(2) Accelerated upgrading of channel structure and improved channel layout

During the reporting period, the FIYTA brand steadily promoted the entry of stores in shopping malls, and newly opened 100 self-operated stores in shopping malls; deepened online channel operations, and achieved good overall performance during the "Double Eleven" period; Harmony steadily promoted high-quality products in the expansion of new stores and the renovation of old stores with mid-to-high-end channels accounting for more than 55%; actively promoted the innovative cooperation model of stores, and opened high-end collection stores Time Vallée in cooperation with Richemont Group in Shenzhen and Dongguan. At the same time, on the basis of the full coverage of the Hainan duty-free system of its own brand, the Company further improved the strategic layout of Hainan Offshore Duty-free Market by establishing a wholly-owned subsidiary in Hainan.

(3) Adhered to innovation-driving, accelerated movement production capacity building and digital transformation

During the reporting period, the Company continued to promote the watch movement production capacity building, and realized successful application of some self-developed movements in a series of products such as aerospace watches. The FIYTA brand continued to deepen the operation of the CRM system. Membership recruitment and potential customer

conversion continued to grow steadily, and offline member sales accounted for 94%. The branch cloud store project was officially launched, and private domain operations were actively explored. On the basis of the iteration of the digital retail system, HARMONY further promoted the integration of online and offline development, and the transaction amount from repurchase by regular customers and purchase by potential customers increased significantly, and the total amount accounted for more than 50% of the overall revenue; new media operations also achieved innovative breakthrough.

(4) Seized market opportunities and accelerated the development of new businesses

During the reporting period, the Company, on the basis of deep cultivation of optical communications and lasers in precision technology business, promoted the expansion of new markets and new customers, such as aerospace and medical equipment in an orderly manner, and some projects entered the stage of batch cooperation; the smart wearable business focused on creating hot-selling products and improving the proportion of self-operated channels. As a result, its revenue increased by 70% year-on-year.

Year-on-year Movements of the Key Financial Items are summarized as follows:

Balance sheet items

Items	Ending balance	Opening balance	Variation proportion	Cause of the movement
Monetary capital	210,254,737.14	353,057,285.71	-40.45%	Mainly due to the impact of short-term loan repayment during the reporting year.
Advance payment for goods	7,946,750.81	16,612,773.76	-52.16%	Mainly due to the decrease of advance payment for purchases in HARMONY World Watch Retail
Other non-current assets	42,680,753.78	13,536,307.13	215.31%	Mainly due to the increase in advance payments for the purchase of real estate during the reporting year.
Short term loans	265,994,595.43	542,673,278.09	-50.98%	Mainly due to the impact of short-term loan repayment during the reporting year.
Notes payable	21,223.10	3,581,360.00	-99.41%	This was mainly due to the due acceptance of the notes payable of the precision technology business.
Dividends payable	5,015,026.30	1,639,513.77	205.88%	Mainly due to the increase in dividends payable in the equity incentive during the reporting year.
Deferred income	1,792,833.90	2,916,346.43	-38.52%	Mainly due to the impact of the write-off of deferred income during the reporting year.
Deferred income tax liability	5,236,514.03	3,067,834.55	70.69%	Mainly due to the influence from the implementation of the new standards for lease during the reporting year.
Other comprehensive income	-7,658,346.40	976,871.41	-883.97%	Mainly due to movement of the translation balance of foreign currency statements

Income statement items from the beginning of the year to the end of the reporting period

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Variation proportion	Cause of the movement
Taxes and surcharges	37,563,586.80	25,444,139.30	47.63%	Mainly due to the influence of the revenue growth

Loss from impairment of assets	-25,861,394.56	-15,426,526.41	-67.64%	during the reporting year. Mainly due to the increase of the provision for price falling of the brand watch inventory in the reporting year.
Income from disposal of assets	730,134.87	-369,857.30	297.41%	Mainly due to the increase in income from disposal of assets related to the implementation of the new lease standards.
Non-operating income	627,435.03	3,111,413.64	-79.83%	Mainly due to the greater impact from the adjustment of the compensation received by stores in the same period of the previous year.
Income tax expenses	114,467,375.88	79,338,516.60	44.28%	The increase in income tax expenses was mainly due to the increase in profit.

Cash flow statement items from the beginning of the year to the end of the reporting period

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Variation proportion	Cause of the movement
Various taxes paid	346,383,502.98	222,180,568.75	55.90%	Mainly due to the increase in taxes and surcharges due to the increase in income during the reporting year.
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	204,422,787.61	133,531,954.47	53.09%	Mainly due to the increase in expenditure on new store additions and improvements during the reporting year.
Cash received from absorbing investment	58,216,000.00	-	100.00%	Mainly due to the subscription money received from the implementation of the 2018 A-share Restricted Stock Incentive Plan (Phase II) during the reporting year.
Cash received from loans	1,155,724,412.23	743,213,671.65	55.50%	Mainly due to the increase in bank borrowings during the reporting year.
Cash paid for debt repayment	1,386,708,158.95	768,247,433.10	80.50%	Mainly due to the increase in debt repayment during the reporting year.
Cash paid for dividend/profit distribution or repayment of interest	187,069,913.31	106,703,352.70	75.32%	Mainly due to increase of the cash dividends during the reporting year.
Other fund-raising activity related cash payments	124,710,390.58	72,317,669.93	72.45%	Mainly due to the influence from the implementation of the new standards for lease and decrease of payment for repurchase of B-shares during the reporting year.
Influence of the change of exchange rate on the cash and cash equivalent	-1,140,476.33	-2,810,603.32	59.42%	Mainly due to the influence of the change of exchange rate.

2. Revenue and Costs

(1) Composition of Revenues

In CNY

	2021		2020		Year-on-year increase/decrease
	Amount	Proportion in the revenue	Amount	Proportion in the revenue	
Total operating revenue	5,243,733,540.93	100%	4,243,439,952.59	100%	23.57%
Based on sectors					
Watches	4,923,280,724.48	93.89%	3,970,903,426.36	93.58%	23.98%
Precision technology business	150,094,350.20	2.86%	138,806,456.76	3.27%	8.13%
Leases	151,461,309.62	2.89%	117,282,310.32	2.76%	29.14%
Others	18,897,156.63	0.36%	16,447,759.15	0.39%	14.89%
Based on products					
Watch brand business	1,012,443,357.87	19.31%	970,035,756.22	22.86%	4.37%
Watch retail and services	3,910,837,366.61	74.58%	3,000,867,670.14	70.72%	30.32%
Precision technology business	150,094,350.20	2.86%	138,806,456.76	3.27%	8.13%
Leases	151,461,309.62	2.89%	117,282,310.32	2.76%	29.14%
Others	18,897,156.63	0.36%	16,447,759.15	0.39%	14.89%
Based on regions					
South China	2,685,613,515.77	51.21%	2,198,531,106.33	51.81%	22.15%
Northwest China	746,028,947.88	14.23%	601,805,121.89	14.18%	23.97%
Northeast China	249,949,686.95	4.77%	198,893,856.16	4.69%	25.67%
East China	732,103,484.67	13.96%	561,941,020.36	13.24%	30.28%
Northeast China	294,675,252.56	5.62%	233,806,759.67	5.51%	26.03%
Southwest China	535,362,653.10	10.21%	448,462,088.18	10.57%	19.38%
Distribution model					
Direct selling	5,047,771,480.39	96.26%	4,040,253,573.70	95.21%	1.05%
Distribution	195,962,060.54	3.74%	203,186,378.89	4.79%	-1.05%

(2) Sector(s), Product(s), Region(s) and Sales Models 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	4,923,280,724.48	3,117,288,604.21	36.68%	23.98%	25.77%	-0.90%
Precision technology business	150,094,350.20	123,279,446.44	17.87%	8.13%	8.38%	-0.19%
Leases	151,461,309.62	42,866,382.31	71.70%	29.14%	5.66%	6.29%
Others	18,897,156.63	2,221,796.17	88.24%	14.89%	-65.07%	26.91%
Based on products						
Watch brand business	1,012,443,357.87	287,829,118.76	71.57%	4.37%	2.80%	0.43%
Watch retail and services	3,910,837,366.61	2,829,459,485.45	27.65%	30.32%	28.70%	0.91%
Precision technology business	150,094,350.20	123,279,446.44	17.87%	8.13%	8.38%	-0.19%
Leases	151,461,309.62	42,866,382.31	71.70%	29.14%	5.66%	6.29%
Others	18,897,156.63	2,221,796.17	88.24%	14.89%	-65.07%	26.91%
Based on regions						
South China	2,685,613,515.77	1,715,184,561.60	36.13%	22.15%	24.34%	-1.12%
Northwest China	746,028,947.88	461,425,308.95	38.15%	23.97%	24.78%	-0.40%
Northeast China	249,949,686.95	143,242,438.82	42.69%	25.67%	23.30%	1.10%
East China	732,103,484.67	440,933,119.23	39.77%	30.28%	26.33%	1.88%
Northeast China	294,675,252.56	203,497,030.88	30.94%	26.03%	25.90%	0.08%
Southwest China	535,362,653.10	321,373,769.65	39.97%	19.38%	22.13%	-1.35%
Distribution model						
Direct selling	5,047,771,480.39	3,215,136,567.11	36.31%	24.94%	25.61%	-0.34%
Distribution	195,962,060.54	70,519,662.02	64.01%	-3.56%	-11.49%	3.23%

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

(3) Is the physical sales income greater than the service income

Yes

Classified based on sectors	Items	In CNY	2021	2020	Year-on-year increase/decrease
Brand watches	Sales volume	pcs	795,178	820,987	-3.14%
	Output	pcs	727,091	793,206	-8.34%
	Inventory	pcs	996,794	1,064,881	-6.39%

Note to the cause of the year-on-year movement of the relevant data by over 30%

Inapplicable

(4) Implementation of Important Sale Contracts and Important Purchase Contracts Concluded during the Reporting Year

Inapplicable

(5) Composition of Operating Costs

Classified based on sectors and products

In CNY

Classified based on sectors	Items	2021		2020		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watches	Goods purchase cost	2,829,459,485.45	86.12%	2,198,558,391.97	83.30%	28.70%
	Raw materials	256,857,016.25	7.82%	250,957,959.33	9.51%	2.35%
	Labor costs	24,624,829.03	0.75%	22,639,961.48	0.86%	8.77%
	Depreciation expense	776,630.56	0.02%	1,290,580.38	0.05%	-39.82%
	Water and electricity fees	557,212.31	0.02%	576,614.61	0.02%	-3.36%
	Rent	254,302.70	0.01%	198,298.53	0.01%	28.24%
	Others	4,759,127.90	0.14%	4,326,929.11	0.16%	9.99%
Precision	Raw materials	88,916,323.84	2.71%	89,561,279.27	3.39%	-0.72%

technology business	Labor costs	19,308,218.35	0.59%	15,492,911.02	0.59%	24.63%
	Depreciation expense	2,929,018.86	0.09%	1,715,869.90	0.07%	70.70%
	Water and electricity fees	1,185,220.49	0.04%	936,944.23	0.04%	26.50%
	Rent	127,758.44	0.00%	111,201.56	0.00%	14.89%
	Others	10,812,906.46	0.33%	5,930,402.44	0.22%	82.33%
Leases	Depreciation expense	16,068,736.92	0.49%	16,013,313.84	0.61%	0.35%
	Labor costs	3,216,088.80	0.10%	2,642,580.58	0.10%	21.70%
	Others	23,581,556.59	0.72%	21,916,045.93	0.83%	7.60%
Others	Purchase of finished products	2,221,796.17	0.07%	6,360,252.90	0.24%	-65.07%

In CNY

Classified based on products	Items	2021		2020		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watch brand business	Raw materials	256,857,016.25	7.82%	250,957,959.33	9.51%	2.35%
	Labor costs	24,624,829.03	0.75%	22,639,961.48	0.86%	8.77%
	Depreciation expense	776,630.56	0.02%	1,290,580.38	0.05%	-39.82%
	Water and electricity fees	557,212.31	0.02%	576,614.61	0.02%	-3.36%
	Rent	254,302.70	0.01%	198,298.53	0.01%	28.24%
	Others	4,759,127.90	0.14%	4,326,929.11	0.16%	9.99%
Watch retail and services	Goods purchase cost	2,829,459,485.45	86.12%	2,198,558,391.97	83.30%	28.70%
Precision technology business	Raw materials	88,916,323.84	2.71%	89,561,279.27	3.39%	-0.72%
	Labor costs	19,308,218.35	0.59%	15,492,911.02	0.59%	24.63%
	Depreciation expense	2,929,018.86	0.09%	1,715,869.90	0.07%	70.70%
	Water and electricity fees	1,185,220.49	0.04%	936,944.23	0.04%	26.50%
	Rent	127,758.44	0.00%	111,201.56	0.00%	14.89%
	Others	10,812,906.46	0.33%	5,930,402.44	0.22%	82.33%
Leases	Depreciation expense	16,068,736.92	0.49%	16,013,313.84	0.61%	0.35%

	Labor costs	3,216,088.80	0.10%	2,642,580.58	0.10%	21.70%
	Others	23,581,556.59	0.72%	21,916,045.93	0.83%	7.60%
Others	Purchase of finished products	2,221,796.17	0.07%	6,360,252.90	0.24%	-65.07%

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

During the reporting period, Shenzhen Xunhang Precision Technology Co., Ltd. and HARMONY World Watch Center (Hainan) Limited, the Company's newly established wholly-owned subsidiaries, were included in the scope of the Company's consolidated statements; the deregistration of 68 Station Co., Ltd., one of the Company's wholly-owned subsidiaries was completed on March 5, 2021, and it has been excluded from the scope of the Company's consolidated statements.

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

Inapplicable

(8) Major sales customers and major suppliers

Information about the major sales customers

Total sales to the top five customers, in CNY	1,075,275,776.18
Proportion of the total sales to the top five customers in the total sales of the year	20.50%
Proportion of the total sales to the related parties in the top five customers in the total sales of the year	0.00%

Information of the top 5 customers

No.	Customers	Sales (in CNY)	Proportion in the total sales of the year
1.	No. 1	401,690,557.55	7.66%
2.	No. 2	213,674,973.69	4.07%
3.	No. 3	160,522,193.39	3.06%
4.	No. 4	152,600,173.29	2.91%
5.	No. 5	146,787,878.26	2.80%
Total	--	1,075,275,776.18	20.50%

Other Information about the major customers

Inapplicable

Major suppliers

Total amount of purchase from top five suppliers, in CNY	2,442,268,149.63.
Proportion of the purchase amount from the top five suppliers in	71.43%

the Company's total purchase amount	
Proportion of the purchase amount from the related parties in the top five suppliers in the Company's total purchase amount	0.00%

Information about the top 5 suppliers

No.	Suppliers	Purchase amount, in CNY	Proportion in the total purchases of the year (%)
1.	No. 1	843,772,178.18	24.68%
2.	No. 2	649,684,534.95	19.00%
3.	No. 3	429,363,470.59	12.56%
4.	No. 4	259,899,372.30	7.60%
5	No. 5	259,548,593.61	7.59%
Total	--	2,442,268,149.63	71.43%

Other information about the major suppliers

Inapplicable

3. Expenses

In CNY

	2021	2020	Year-on-year increase/decrease	Note to significant changes
Sales costs	1,049,898,223.28	870,713,899.32	20.58%	Inapplicable
Administrative expenses	261,626,762.41	256,559,127.23	1.98%	Inapplicable
Financial expenses	34,677,073.65	33,449,276.41	3.67%	Inapplicable
R & D expenditures	57,802,569.17	51,489,323.49	12.26%	Inapplicable

4. Investment in R & D

Description of the Main R & D Projects	Project purpose	Project progress	The objective to be reached	Impact on the predicted future development of the Company
New series products with the quality of FIYTA Brand	Innovative products with the brand characteristics provided to the market	Fulfillment of the tasks in the very year	Developing multiple series of products with FIYTA brand characteristics, and launching sales as planned	Providing innovative products
Developing new product innovation protection structure	Improving new product performances and market competitiveness	Fulfillment of the tasks in the very year	Development of an innovative structure to improve watch protection performance was completed and it has been applied in watch products	Improving new product performances and market competitiveness
Development of	Improving new product	In process	According to the needs of brand	Improving new product

mechanical watch movements with brand differentiation characteristics	performances and market competitiveness		differentiation, developing mechanical watch movements with special functions and indication methods	performances and market competitiveness
Development of watch for manned spaceflight	Providing special equipment watches for the field of manned spaceflight	Fulfillment of the tasks in the very year	According to the requirements of manned space missions, developed and delivered special equipment watches	Providing special equipment watches for the field of manned spaceflight
Smart watch with camera and body sign monitoring	Improving new product performances and market competitiveness	Fulfillment of the tasks in the very year	Development of smart watches with camera function with the capacity of monitoring body sign data which have been launched in the market as planned	Improving new product performances and market competitiveness

R & D Staff

	2021	2020	Variation proportion
Number of R & D staff (persons)	128	117	9.40%
Proportion of R & D staff in total employees	2.52%	2.39%	0.13%
Educational background structure of R & D staff	—	—	—
Undergraduate	63	64	-1.56%
Master	22	22	0.00%
Doctor	3	2	50.00%
Junior college and below	40	29	37.93%
研发人员年龄构成	—	—	—
Below 30	47	46	2.17%
30 - 40	60	46	30.43%
Over 40	21	25	-16.00%

Investment in R & D

	2021	2020	Variation proportion
Amount of investment in R & D, in CNY	57,802,569.17	51,489,323.49	12.26%
Proportion of investment in R & D in operating revenue	1.10%	1.21%	-0.11%
Amount of capitalized investment in R & D (in CNY)	0.00.	0.00.	0.00%
Proportion of capitalized investment in R & D in the total	0.00%	0.00%	0.00%

investment in R & D			
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Reasons and effects of major changes in the composition of the Company's R&D personnel

Inapplicable

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

Inapplicable

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

Inapplicable

5. Cash Flow

In CNY

Items	2021	2020	Year-on-year increase/decrease
Subtotal of cash flow in from operating activity	5,944,580,198.34	4,682,489,563.33	26.95%
Subtotal of cash flow out from operating activity	5,397,331,089.89	4,304,279,057.46	25.39%
Net cash flow arising from operating activities	547,249,108.45	378,210,505.87	44.69%
Subtotal of cash flow in from investment activity	59,657.53	150,556.62	-60.38%
Subtotal of cash flow out from investment activity	204,422,787.61	133,531,954.47	53.09%
Net cash flows arising from investment activities	-204,363,130.08	-133,381,397.85	-53.22%
Subtotal of cash flow in from fund raising activity	1,213,940,412.23	743,213,671.65	63.34%
Sub-total cash flow paid for financing activities	1,698,488,462.84	947,268,455.73	79.30%
Net cash flow arising from capital-raising activities	-484,548,050.61	-204,054,784.08	-137.46%
Net increase of cash and cash equivalents	-142,802,548.57	37,963,720.62	-476.16%

Notes to the major influencing factors for the significant change in the relevant year-on-year data

1. During the reporting year, the net cash flow from operating activities was CNY 547,249,108.45, an increase of CNY 169,038,602.58 compared with CNY 378,210,505.87 in the same period last year, mainly due to the implementation of the new lease standards.

2. Net cash flow arising from investment activities amounted to CNY -204,363,130.08 in the reporting year, while it was CNY -133,381,397.85 in the same period of the previous year with the payment increased by CNY 70,981,732.23, which was mainly due to increase of the increase of payments for refurbishment and improvement of the stores during the

reporting period.

3. Net cash flow arising from financing activities amounting to CNY -484,548,050.61 in the reporting year, a year-on-year increase of CNY 280,493,266.53 in comparison with the previous year amounting to CNY -204,054,784.08 was mainly due to increase of the repayment of bank loans, increase of cash dividends and influence from the implementation of the new lease standards.

Note to the cause of significant difference between the net cash flow arising from the Company's business activities and the net profit of the reporting year during the reporting period.

Inapplicable

V. Analysis on Non-Principal Businesses

Inapplicable

VI. Analysis on Assets and Liabilities

1. Significant Changes in Assets Composition

In CNY

	End of 2021		Beginning of 2021		Increase/decrease in proportion	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	210,254,737.14	5.11%	353,057,285.71	8.46%	-3.35%	Inapplicable
Accounts receivable	388,885,601.28	9.46%	475,598,684.88	11.39%	-1.93%	Inapplicable
Contract assets	0.00	0.00%	0.00	0.00%	0.00%	Inapplicable
Inventories	2,050,148,750.89	49.87%	1,931,780,185.85	46.28%	3.59%	Inapplicable
Investment-oriented real estate	383,425,916.35	9.33%	398,086,447.78	9.54%	-0.21%	Inapplicable
Long-term equity investment	55,155,605.31	1.34%	51,400,665.92	1.23%	0.11%	Inapplicable
Fixed assets	349,495,316.65	8.50%	352,734,280.76	8.45%	0.05%	Inapplicable
Construction-in-process	0.00	0.00%	0.00	0.00%	0.00%	Inapplicable
Use right assets	147,932,475.42	3.60%	163,169,400.44	3.91%	-0.31%	Inapplicable
Short term loans	265,994,595.43	6.47%	542,673,278.09	13.00%	-6.53%	Inapplicable
Contract liabilities	22,505,426.65	0.55%	18,213,396.49	0.44%	0.11%	Inapplicable
Long-term borrowings	0.00	0.00%	4,070,330.00	0.10%	-0.10%	Inapplicable
Lease liabilities	64,918,722.10	1.58%	77,439,579.30	1.86%	-0.28%	Inapplicable

Higher proportion of foreign assets

Inapplicable

2. Assets and liabilities measured based on fair value

Inapplicable

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

A property owned by Switzerland based Montres Chouriet SA with net value of CNY 11,490,566.65 was used as a collateral for the overseas long term loan amounting to CNY 3,924,900.00.

VII. 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	139,500,000.00	-85.66%

Notes: 1. With review and approval of the Company's 23rd Session of the Ninth Board of Directors on December 14, 2020, the Company 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 relevant procedures for establishment and registration with the authority for industry and commerce were completed on April 7, 2021. For the detail, please refer to the "Announcement 2021-035 on the Investment and Establishment of Wholly-owned Subsidiaries and Completion of Industrial and Commercial Registration" disclosed by the Company on www.cninfo.com.cn;

2. With review and approval of the Company's 29th Session of the Ninth Board of Directors on May 21, 2021, the Company 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. The relevant procedures for establishment and registration with the authority for industry and commerce were completed on June 17, 2021. For the detail, please refer to the "Announcement 2021-058 on the Investment and Establishment of Wholly-owned Subsidiaries and Completion of Industrial and Commercial Registration" disclosed by the Company on www.cninfo.com.cn;

2. Significant Equity Investment Acquired in the Reporting Period

Inapplicable

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

Inapplicable

4. Financial assets investment**(1) Portfolio investment**

Inapplicable

(2) Investment in derivatives

Inapplicable

5. Application of the raised capital

Inapplicable

VIII. Sales of Significant Assets and Equity**1. Sales of Significant Assets**

Inapplicable

2. Sales of Significant Equity

Inapplicable

IX. Analysis on 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	2,102,556,925.63	1,068,121,963.67	3,868,319,859.65	382,325,720.42	289,056,005.29
FIYTA Sales Co., Ltd.	Subsidiary	Design, R & D and sales of watches and components & parts	450,000,000	506,762,746.87	392,336,579.87	580,635,486.42	4,064,580.03	-233,569.13
Shenzhen	Subsidiary	Manufacture	100,000,000	321,057,850.26	169,167,312.11	372,362,396.35	58,418,500.85	53,979,457.58

FIYTA Precision Technology Co., Ltd.		and production of watches and components						
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Production and machining of sophisticated components and parts	50,000,000	188,352,333.30	133,415,385.71	173,195,343.47	13,634,825.72	13,094,286.88
FIYTA (Hong Kong) Limited	Subsidiary	Trading of watches and accessories and investment	137,737,520	229,791,419.84	202,225,606.14	104,597,635.75	14,247,097.40	12,930,206.75
Emile Chouriet (Shenzhen) Limited	Subsidiary	Design, R & D and sales of watches and components & parts	41,355,200	122,151,707.51	59,031,329.02	91,239,738.45	4,216,166.14	3,138,963.28
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Production and sales of watches and components & parts	15,350,000	160,904,718.18	134,940,325.17	150,929,452.87	15,094,324.17	15,019,757.54

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 wholly-owned subsidiaries is conducive to promoting the business development of retail of brand watches, and will have a positive impact on the long-term development and benefit improvement of the Company.
68-Station Limited	Deregistration completed	It does not have a significant impact on the Company's overall production, operation and performance.

Note to the principal mutual shareholding companies

Inapplicable

X. Structural Subjects Controlled by the Company

Inapplicable

XI. Expectation on future development of the Company

(I) External Environment and Risks

In 2022, the global political and economic environment shall remain complex and changeable. The COVID-19 epidemic has entered a stage of normalization, and the economic recovery shall gradually become moderate. China's economic development shall also face the triple pressures of shrinking demand, supply shocks, and weakening expectations. The consumer market shall be confronted with profound changes.

Changes in the consumer market have driven continuous innovation in the competition pattern of the watch industry. The industry structure has been significantly differentiated. The market share of mid-to-high-end brands has further expanded, and continues to sink to younger consumer groups. Light luxury and niche brands emerge one after another to meet the needs of consumer segmentation, diversified consumer demand, and further intensified competition of the industry.

At the same time, under the guidance of economic growth and policies, the middle-income group corresponding to the watch industry continues to expand; increasingly personalized consumer demand provides development space for market segmentation; cultural confidence drives the rise of the national tide, and domestic watch brands are receiving the opportunity to overtake on a bend; the rapid development of e-commerce platforms promotes the overall digital transformation of retail business, and the integration of online and offline channels; the development of tax-free channels brings new opportunities for incremental markets.

Crisis and opportunity coexist. In the journey of people's continuous pursuit for a better life, the Company is firmly optimistic about the development prospects of the industry, and shall adhere to the original intention and mission of "creating a quality life", continuously consolidate its core competitiveness, and accelerate business transformation and upgrading.

(II) Key Work in 2022

In 2022, the Company shall continue to practice the strategy of "big country brand", continue to promote the creation of products and brands that represent Chinese image, Chinese quality, Chinese technology and Chinese culture, with "focusing on the three forces, strengthening professionalism, and systematically enhancing superiority of competition; conduct digital transformation. , build a hard core, and rapidly promote transformation and upgrading" as the annual work theme, and solidly promote the following work:

1. Focusing on the three forces, strengthening professionalism, and systematically enhancing superiority of competition
To establish the high-end Chinese watch brand construction as the lead, with aerospace as the support, solidly promote the integration of products and sales, build an integrated marketing system, systematically enhance the "brand power"; continuously improve product operation efficiency, build and strengthen product life cycle operation management, focus on the core series, strive to create high-quality products, improve product quality management system and after-sales

service system, strictly implement the extended warranty policy, improve "product power"; by applying leverage on the two main lines of "operation improvement + structure upgrading", deepen the construction of digital retail system, improve the operation capacity of individual stores, promote the expansion and upgrading of middle and high-end channels through multiple means, continuously improve the market share of each region, and enhance the "channel power".

2. To conduct digital transformation, build a hard core, and rapidly promote transformation and upgrading

Continue to adhere to the long-term investment in digitalization, and gradually establish and deepen the digital management system of "people, goods, stores, customers and finance"; adhere to the leadership of science and technology, accelerate the application of home-made products, improve the localization rate of home-made watch movements, and continue to explore new materials, new technologies and new processes to be applied in making high-end watches.

3. Driven with innovation, to accelerate the development of new business

In respect of precision technology business, continue to strengthen and expand the fields of superiority, including optical communication, lasers, etc., further expand new markets and develop new customers in aerospace, medical equipment, etc., take technology as the lead, constantly improve the complexity of the process, and further improve the overall solution capacity; in respect of smart wear business, continue to promote technological innovation, strengthen technological reserves, accelerate the iteration of new products, and constantly improve the construction of outdoor light entertainment ecosystem. Meanwhile, continue to explore the layout of "active health", "great pension" and other fields.

4. To consolidate management, strengthen coordination and systematically improve team execution

Further exert the "Iron Army" spirit formed by the operation and counterattack during the Anti-COVID-19, continue to forge the professional ability of the team, take the "Big Country Brand" strategy as the lead, strengthen the synergy between the business and the team, continuously deepen the full coverage of the power mechanism, and further stimulate the enthusiasm and creativity of the core team, and systematically improve the team execution.

XII. Reception of Survey, Communications, Interviews, etc. during the Reporting Period

Reception time	Place of reception	Way of reception	Types of Visitors Received	Visitors Received	Main contents discussed and information provided	Index of Basic Information on the Investigation and Survey
March 25, 2021	Wechat Mini Program Titled "FIYTA Relationship with Investors"	Others	Others	Extensive investors' participation in the Company's 2020 Annual Online Performance Presentation by network remoteness	In order to provide investors with a comprehensive and in-depth understanding of the Company's situation, the Company held a 2020 Online Performance Briefing and conducted communications and exchange with investors on the Company's 2020 operating status, development strategy, watch brand management business, brand watch retails, and development of precision technology and smart wearables.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgid=gssz0000026
April 20, 2021	20th Floor, FIYTA Technology Building	Field survey	Institution	TF Securities Co., Ltd., Shanghai Guotai Junan Securities & Assets Management Co., Ltd., Shenzhen Qianhai Shengyao Capital Investment Management Co., Ltd., Shenzhen Qianhai Dengcheng Asset Management Co., Ltd., Ningbo Devolente Investment Partnership Enterprise (L.P.), GF Securities Co., Ltd., Rongtong Fund Management Co., Ltd., China Merchants Securities Co., Ltd., Shenzhen Jindou Investment Co., Ltd., Everbright Securities Company Limited, Wanlian Securities Co., Ltd., China Great Wall Securities Co., Ltd., Guotai Junan Securities Co., Ltd., Shenwan Hongyuan	The Company conducted communication on management of watch brands, retail of well-known brand watches, development of precision technology business, etc.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgid=gssz0000026

				Securities Co.,Ltd., China International Capital Corporation Limited, Harmony Capital Group, Changjiang Securities Company Limited , ESSENCE SECURITIES Co., Ltd., Penghua Fund Management Co., Ltd., Fullgoal Fund Management Company Limited, Boseru Fund Management Co., Ltd., Hangzhou Mingliang Asset Management Co., Ltd., Shenzhen Haifuling Capital Management Co., Ltd., Shenzhen Qianhai Chengbeile Investment Co., Ltd., Essence Fund Management Co., Ltd. and PA asset		
August 20, 2021	Teleconference	Telephone communication	Institution	TF Securities Co., Wanlian Securities Co.,Ltd., Shenwan Hongyuan Securities Co. Ltd., FOUNDER SECURITIES CO.,LTD., Guolian Securities Co., Ltd., Huatai Securities Co., Ltd., China Merchants Securities Co., Ltd., Soochow Securities Co., Ltd., Guotai Junan Securities Co.,Ltd., China Life Insurance Company Limited, Penghua Fund Management Co., Ltd., China Universal Asset Management Co., Ltd., Hua An Fund Management Co., Ltd., Tianjin State-owned Capital Investment And Management Co., Ltd., Youngy Investment Holding Group Co. Ltd., Yuancheng Investment Management Co., Ltd. , China International Capital Corporation Limited, Shenzhen Kangrui Capital Management Co., Ltd. , Shanghai Premium Bright Global Captial Co.,Ltd. and Shanghai Tourmaline Asset Management CO.,Ltd.	The Company conducted communication on management of watch brands, retail of well-known brand watches, development of precision technology business, etc.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgid=gssz0000026

Section 4 Corporate Governance

I. General

In year 2021, the Company kept improving the Company's corporate governance structure strictly according to the PRC Company Law, the PRC Securities Law and the regulations of China Securities Regulatory Commission concerning governance of listed companies, and tried to enhance construction of modern enterprise system, upgraded the level of regulatory operation of the Company. As a result, there was no discrepancy between the situation of the Company's corporate governance and the regulatory documents of China Securities Regulatory Commission concerning governance of listed companies.

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

The General Meeting is the Company's power organ and has the power of deciding the Company's operation policy and investment plan, reviewing and approving the Company's annual financial budget scheme, settlement scheme, profit distribution plan, loss make-up plan, change of the application of the proceeds raised through issuing, the equity incentive plan, etc., make resolutions on the Company's increase or decrease of registered capital, issuance of corporate bonds and bond-like financing instruments, merger, division, dissolution, liquidation or change of company form, formulate or approve the Company's articles of association and amendments to the articles of association, elect and replace the directors and supervisors serving as employee representatives and decide matters concerning the remuneration of directors and supervisors.

The Board of Directors plays the role of "setting strategies, making decisions, and preventing risks", and is responsible for implementing the resolutions of the general meetings of shareholders, convening and reporting to the general meeting of

shareholders. Within the authorization from the General Meeting, decides the Company's external investment, acquisition and sales of assets, assets pledge, external guarantee, related transactions, etc., decides establishment of the Company's internal management organs and branches, engagement and disengagement of the Company's general manager, the Board secretary and other senior executives, etc. The Board of Directors consists of nine directors, including three independent directors. The Board of Directors has established three subordinate special committees, namely the Strategy Committee, the Audit Committee and Nomination, Emolument and Assessment Committee.

The Supervisory Committee is the Company's supervisory organ in charge of reviewing the Company's regular reports, examining the Company's financial affairs, supervising the directors and senior executives in performing duties according to the law and proposes dismissal of any director or senior executive who breaches the law, the administrative rules and regulations, the Articles of Association or resolutions of the General Meeting, etc. The Supervisory Committee consists of three supervisors including one staff supervisor.

The management is responsible for "seeking operation, carrying out implementation, and strengthening management". The General Manager is responsible to the Board of Directors, presides over the production, operation and management of the Company under the leadership of the Board of Directors, organizes the implementation of resolutions of the Board of Directors, reports work to the Board of Directors, and organizes the implementation of the Company's annual development plan, operation and management; plans and formulates the Company's investment plan and investment plan, annual financial budget plan, final account plan, profit distribution plan and loss recovery plan and the Company's plan for increasing or decreasing registered capital, etc.

Whether there is a material difference between the actual situation of corporate governance and laws, administrative regulations and regulations on the governance of listed companies issued by the China Securities Regulatory Commission.

No

II. Independence in securing the Company's assets, personnel, finance, organization, business, etc. relative to the controlling shareholder and actual controller

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

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

Personnel: The Company is completely independent in organization and has sound systems in labor, personnel and salaries management. Except Mr. Xiao Yi, Mr. Xiao Zhanglin, Mr. Li Peiyin and Mr. Deng Jianghu as directors, and Mr. Zheng Qiyuan, the chairman of the Supervisory Committee, and Ms. Cao Zhen as supervisor, none of other senior executives takes any concurrent office in the shareholders and none of the financial staff works concurrently for any related parties.

Assets: The assets of the Company and its controlling shareholder are highly distinct. The Company enjoys the corporate ownership over its assets and the assets are completely independent from its controlling shareholder. In addition, the

Company enjoys sole ownership of such trademarks as FIYTA, HARMONY, etc.

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

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

III. Horizontal Competitions

Inapplicable

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

1. General Meetings

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
2021 3rd Extraordinary General Meeting	Extraordinary General Meeting	37.53%	July 01, 2021	July 02, 2021	Announcement on the Resolution of 2021 3rd Extraordinary General Meeting, 2021-059
2021 4th Extraordinary General Meeting	Extraordinary General Meeting	47.37%	September 08, 2021	September 09, 2021	Announcement on the Resolution of 2021 4th Extraordinary General Meeting, 2021-087

2021 5th Extraordinary General Meeting	Extraordinary General Meeting	38.41%	November 30, 2021	December 01, 2021	Announcement on the Resolution of 2021 5th Extraordinary General Meeting, 2021-101
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2. Extraordinary general meeting requested for holding by the preferred shareholders with the voting power recovered.

Inapplicable

V. Directors, Supervisors and Senior Executives

1. Basic information

Name	Title	Office Status	Gender	Age	Starting date of tenure	Expiry date of tenure	Number of shares held at the beginning of the reporting period (shares)	Stock option	Number of restricted shares granted (shares)	Shareholding increased in the reporting period (shares)	Shareholding decreased in the reporting period (shares)	Change of other increase/decrease (shares)	Number of shares held at end of the reporting period (shares)	Cause of increase/decrease of shares
Zhang Xuhua	Chairman of the Board	In office	Male	45	July 01, 2021	September 08, 2024	0	0	0	0	0	0	0	
Xiao Yi	Director	In office	Male	48	February 24, 2021	September 08, 2024	0	0	0	0	0	0	0	
Xiao Zhanglin	Director	In office	Male	46	September 20, 2017	September 08, 2024	0	0	0	0	0	0	0	
Li Peiyin	Director	In office	Male	36	February 24, 2021	September 08, 2024	0	0	0	0	0	0	0	
Deng Jianghu	Director	In office	Male	38	September 08, 2021	September 08, 2024	33,000	0	80,000	0	-10,989	-102,011	0	1. 2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 80,000 restricted shares 2. Before he became a director, he reduced his holdings of A shares by 10,989 shares; 3. After leaving office, 102,011 restricted A shares were repurchased and canceled.
Pan Bo	Director	In office	Male	46	February 24, 2021	September 08, 2024	130,000	0	150,000	0	0	0	280,000	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares
	General Manager	In office	Male		January 15, 2021	September 08, 2024								
Wang Jianxin	Independent Director	In office	Male	52	September 11, 2018	September 08, 2024	0	0	0	0	0	0	0	
Zhong Hongming	Independent Director	In office	Male	47	September 11, 2018	September 08, 2024	0	0	0	0	0	0	0	
Tang Xiaofei	Independent Director	In office	Male	48	September 11, 2018	September 08, 2024	0	0	0	0	0	0	0	
Zheng Qiyuan	Chairman of the Supervisory Committee	In office	Male	59	March 08, 2021	September 08, 2024	0	0	0	0	0	0	0	
Cao Zhen	Supervisor	In office	Female	51	February 24, 2021	September 08, 2024	0	0	0	0	0	0	0	
Hu Jing	Supervisor	In office	Female	51	September 07, 2021	September 08, 2024	9,000	0	0	0	0	0	9,000	
Lu Wanjun	Deputy GM	In office	Male	55	August 08, 2014	September 08, 2024	130,000	0	150,000	0	0	0	280,000	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares

	Chief Law Adviser	In office	Male		October 25, 2021	September 08, 2024								
Liu Xiaoming	Deputy GM	In office	Male	51	October 17, 2016	September 08, 2024	130,000	0	150,000	0	0	0	280,000	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares
Li Ming	Deputy GM	In office	Male	49	October 17, 2016	September 08, 2024	130,040	0	150,000	0	0	0	280,040	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares
Song Yaoming	Chief Accountant	In office	Male	55	February 06, 2022	September 08, 2024	0	0	0	0	0	0	0	
Tang Haiyuan	Deputy GM	In office	Male	49	September 29, 2019	September 08, 2024	60,000	0	150,000	0	0	0	210,000	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares
Huang Yongfeng	Chairman of the Board	Retired	Male	48	September 08, 2017	June 11, 2021	180,000	0	0	0	0	-66,700	113,300	After leaving office, 66,700 restricted A shares were repurchased and canceled.
Wang Mingchuan	Director	Retired	Male	56	May 21, 2009	February 02, 2021	0	0	0	0	0	0	0	
Fu Debin	Director	Retired	Male	45	December 09, 2016	February 02, 2021	0	0	0	0	0	0	0	
Wang Bo	Director	Retired	Male	43	September 20, 2017	February 02, 2021	0	0	0	0	0	0	0	
Chen Libin	Director	Retired	Male	58	May 31, 2017	February 02, 2021	180,000	0	180,000	0	0	0	360,000	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 180,000 restricted shares
	General Manager	Retired	Male		March 08, 2017	January 15, 2021								
Wang Baoying	Chairman of the Supervisory Committee	Retired	Male	58	June 02, 2017	February 24, 2021	0	0	0	0	0	0	0	
Sheng Qing	Supervisor	Retired	Female	46	September 11, 2018	September 07, 2021	0	0	0	0	0	0	0	
Fang Jiasheng	Supervisor	Retired	Male	36	April 12, 2019	February 24, 2021	0	0	0	0	0	0	0	
Chen Zhuo	Chief Accountant	Retired	Male	46	October 17, 2016	January 28, 2022	131,000	0	150,000	0	0	0	281,000	2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares
	Secretary of the Board	Retired	Male		January 15, 2021	January 28, 2022								
Xu Chuangyue	Deputy GM	Retired	Male	43	September 29, 2019	February 03, 2021	50,000	0	150,000	0	0	-183,350	16,650	1. 2018 A-Share Restricted Stock Incentive Plan (Phase II) granted 150,000 restricted shares 2. After leaving office, 183,350 restricted A shares were repurchased and canceled.
Total	--	--	--	--	--	--	1,163,040	0	1,310,000	0	-10,989	-352,061	2,109,990	

During the reporting period, is there any resignation of directors and supervisors and dismissal of senior executives during their term of office?

In January 2021, the Company received written resignation reports from Mr. Chen Libin, the managing director, and Mr. Pan Bo, the deputy general manager and secretary of the Board of Directors. Mr. Chen Libin resigned from the position of General Manager of the Company due to work reasons and continued to hold other positions in the Company after his resignation; Mr. Pan Bo resigned from the positions of deputy General Manager and Board Secretary of the Company due to work reason, and continued to hold other positions in the Company after his resignation.

In February 2021, the Company received written resignation reports submitted by directors Mr. Wang Mingchuan, Mr. Fu Debin, Mr. Wang Bo and Mr. Chen Libin, supervisors Mr. Wang Baoying, Mr. Fang Jiasheng and deputy General Manager Mr. Xu Chuangyue. Mr. Wang Mingchuan, Mr. Fu Debin and Mr. Wang Bo resigned as directors of the Company due to work reason, and no longer hold any positions in the Company after their resignation; Mr. Chen Libin resigned as director of the Company due to work reason, and continued to hold other positions in the Company after his resignation; Mr. Wang Baoying resigned from the positions of supervisor and Chairman of the Supervisory Committee of the Company due to work reason, and no longer holds any positions in the Company after his resignation; Mr. Fang Jiasheng resigned from the position of supervisor of the Company due to work reason, and continued to hold other positions in the Company after resignation; Mr. Xu Chuangyue resigned from the position of deputy General Manager of the Company for personal reason and no longer hold any position in the Company after the resignation.

The Company received a written resignation report submitted by Mr. Huang Yongfeng, the Chairman of the Board, in June 2021. Mr. Huang Yongfeng resigned as director and Chairman of the Company due to work reason, and no longer holds any position in the Company after his resignation.

During the reporting period, the Company has completed the by-election of directors and supervisors and the appointment of senior executives on schedule in accordance with relevant laws and regulations. The independent directors checked the reasons for the resignation of the Chairman and the General Manager, and expressed their independent opinions on the changes of directors and senior executives.

Personnel Change in Directors, Supervisors and Senior Executives

Name	Office Taken	Type	Date	Cause
Zhang Xuhua	Chairman of the Board	Being elected	September 08, 2021	Appointed as the Chairman of the Board at the 1st session of the Tenth Board of Directors.
	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.
	Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
	Director	Being elected	July 01, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 30th session of the Ninth Board of Directors and the 2021 3rd Extraordinary General Meeting.
Xiao Yi	Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
	Director	Being elected	February 24, 2021	Elected as a director of the Ninth Board of Directors of the Company at the 26th session of the Ninth Board of Directors and the 2021 2nd Extraordinary General Meeting.
Xiao Zhanglin	Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
Li Peiyin	Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.

	Director	Being elected	February 24, 2021	Elected as a director of the Ninth Board of Directors of the Company at the 26th session of the Ninth Board of Directors and the 2021 2nd Extraordinary General Meeting.
Deng Jianghu	Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
Pan Bo	Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
	General Manager	Being appointed	September 08, 2021	Appointed as the General Manager of the Company at the 1st session of the Tenth Board of Directors.
	Director	Being elected	February 24, 2021	Elected as a director of the Company at the 26th session of the Ninth Board of Directors and the 2021 2nd Extraordinary General Meeting.
	General Manager	Being appointed	January 15, 2021	Appointed as the GM at the 25th session of the Ninth Board of Directors.
	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 due to the work reason.
Wang Jianxin	Independent Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
Zhong Hongming	Independent Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
Tang Xiaofei	Independent Director	Being elected	September 08, 2021	Elected as a director of the Tenth Board of Directors of the Company at the 32nd session of the Ninth Board of Directors and the 2021 4th Extraordinary General Meeting.
Zheng Qiyuan	Chairman of the Supervisory Committee	Being elected	September 08, 2021	Appointed as the Chairman of the Supervisory Committee at the 1st session of the Tenth Board of Directors.
	Supervisor	Being elected	September 08, 2021	Appointed as a supervisor of the Tenth Supervisory Committee at the 28th session of the Ninth Supervisory Committee and 2021 4th Extraordinary General Meeting.
	Chairman of the Supervisory Committee	Being elected	March 08, 2021	Elected the Chairman of the Ninth Supervisory Committee at the 24th session of the Ninth Supervisory Committee.
	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.
Cao Zhen	Supervisor	Being elected	September 08, 2021	Appointed as a supervisor of the Tenth Supervisory Committee at the 28th session of the Ninth Supervisory Committee and 2021 4th Extraordinary General Meeting.
	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.
Hu Jing	Supervisor	Being elected	September 07, 2021	Elected a staff representative supervisor of the Tenth Supervisory Committee of the Company at 2021 1st Staff Representative Conference.
Lu Wanjun	Chief Law Adviser	Being appointed	October 25, 2021	Appointed as the Chief Law Adviser of the Company at the 2nd session of the Tenth Board of Directors.
	Deputy GM	Being appointed	September 08, 2021	Appointed as deputy General Manager of the Company at the 1st session of the Tenth Board of Directors.
Liu Xiaoming	Deputy GM	Being appointed	September 08, 2021	Appointed as deputy General Manager of the Company at the 1st session of the Tenth Board of Directors.
Li Ming	Deputy GM	Being appointed	September 08, 2021	Appointed as deputy General Manager of the Company at the 1st session of the Tenth Board of Directors.
Song Yaoming	Chief Accountant	Being appointed	February 06, 2022	Appointed as the Chief Accountant of the Company at the 6th session of the Tenth Board of Directors.
Tang Haiyuan	Deputy GM	Being appointed	September 08, 2021	Appointed as deputy General Manager of the Company at the 1st session of the Tenth Board of Directors.
Huang Yongfeng	Chairman of the Board	Retired	June 11, 2021	resigned as director and Chairman of the Company due to work reason.
Wang	Director	Retired	February 02, 2021	resigned as a director of the Company due to work reason.

Mingchuan				
Fu Debin	Director	Retired	February 02, 2021	resigned as a director of the Company due to work reason.
Wang Bo	Director	Retired	February 02, 2021	resigned as a director of the Company due to work reason.
Zhang Zhibiao	Director	Retired upon office expiry	September 08, 2021	Retired upon expiry of the Ninth Board of Directors.
	Director	Being elected	February 24, 2021	Elected as a director of the Ninth Board of Directors of the Company at the 26th session of the Ninth Board of Directors and the 2021 2nd Extraordinary General Meeting.
Chen Libin	Director	Retired	February 02, 2021	resigned as a director of the Company due to work reason.
	General Manager	Termination	January 15, 2021	resigned as the GM of the Company due to the work reason.
Wang Baoying	Supervisor and Chairman of the Supervisory Committee	Retired	February 24, 2021	resigned as a supervisor of the Company and the Chairman of the Supervisory Committee due to work reason.
Sheng Qing	Supervisor	Retired upon office expiry	September 07, 2021	Retired upon expiry of the Ninth Supervisory Committee.
Fang Jiasheng	Supervisor	Retired	February 24, 2021	resigned as a supervisor of the Company due to work reason.
Chen Zhuo	Chief Accountant & Secretary of the Board	Being appointed	September 08, 2021	Appointed as the Chief Accountant and the Board Secretary of the Company at the 1st session of the Tenth Board of Directors.
	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.
Xu Chuangyue	Deputy GM	Termination	February 03, 2021	resigned as deputy GM of the Company due to the personal reason.

2. Incumbency

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

Mr. Zhang Xuhua, born in March, 1977, holding master degree and EMBA of China Europe International Business School. He is now the Chairman of the Company. Mr. Zhang used to be the managing director, deputy GM, assistant to the GM, GM of the business department of the shopping center of Rainbow Digital Commercial Co.,Ltd., the GM of Chengdu Company, the GM of the business department of the shopping center, the GM of Chengdu Company, the GM of the Merchandise Center, the GM, manager of the procurement department, the supervisor of the merchants department of Dreams-On Department Store; staff of the market department of Vanke Industry Co., Ltd.

Mr. Xiao Yi, male, born in March 1974, MBA of the Economic Management College of Beijing University of Aeronautics & Astronautics. Currently, he is a director of the Company, the Director of Organization Department/Human Resources Department of the CPC Committee of AVIC International Holding Corporation, a director of Tianma Microelectronics Co., Ltd., a director of Shennan Circuit Co., Ltd., a director of AVIC International Holding (Zhuhai) Co., Ltd., a director of AVIC International Economic and Trade Development Co., Ltd. He used to be the deputy manager and manager of the comprehensive management department of AVIC International Holding Corporation.

Mr. Xiao Zhanglin, born in January 1976, senior engineer, MBA of Shanghai Jiao Tong University. Mr. Xiao is a director of the Company, the chief of the planning and operation department of AVIC International Holding Corporation, a director of Shennan Circuit Co., Ltd. and a director of Rainbow Department Store Co., Ltd. He used to be deputy chief of the strategy development department and deputy chief of the operation and management department of AVIC International Holding Corporation, the secretary of AVIC International Holding Limited, a director of Tianma Micro-electronics Co., Ltd. and a director of AVIC Sunda Holding Company Limited.

Mr. Li Peiyin, born in September, 1986, Master of Accounting of Xiamen University, MBA of Missouri State University, CPA and senior accountant. Mr. Xiao is a director of the Company, the deputy chief of the financial management department

of AVIC International Holding Corporation (executive), a director of Shennan Circuit Co., Ltd. and a director of Rainbow Department Store Co., Ltd. He used to be the business manager, the assistant to the chief and the deputy chief of the Financial Management Department of AVIC International Holding Corporation.

Mr. Deng Jianghu, born in July 1984, graduated from Northeast Normal University with a master's degree in business administration. He is a director of the Company, and deputy manager of the Planning & Development Department of AVIC International Holding Corporation (executive) and a director of Tianma Micro-electronics Co., Ltd. He used to be deputy manager and manager of the planning and operation department of the Company, director of modern service office of AVIC International Shenzhen Co., Ltd., senior project manager of the operation management department of AVIC International Holding Co., Ltd., a commissioner of the strategic management and senior commissioner of the Strategic Development Department of Shennan Circuit Co., Ltd.

Mr. Pan Bo, born in March, 1976, bachelor of electromechanical engineering of Beijing University of Aeronautics & Astronautics, and EMBA of China Europe International Business School. He is the Managing Director of the Company. Mr. Pan used to be a deputy GM, the secretary of the board, and the assistant to the GM of the Company, the GM, deputy GM, the assistant to the GM, manager of the sales department, manager of the logistics department, manager of the after-sale service department of FIYTA Sales Co., Ltd.

Mr. Zheng Qiyuan, born in July, 1963, MBA of the Economic Management College of Beijing University of Aeronautics & Astronautics, MBA of Paris Business School; senior engineer. Mr. Zheng is the Chairman of the Supervisory Committee of the Company and a full-time director and supervisor of AVIC International Holding Corporation. Mr. Zheng used to be the secretary of the Ministry of Aviation Industry, chief staff of the Planning Department of the Ministry of Aviation Industry, deputy chief and chief of the Planning Department of AVIC Corporation, deputy manager and manager of the Bidding Center of AVIC Corporation, deputy manager and manager of AVIC International Economic & Trade Development Limited, a commissioner of AVIC International Holding Corporation, Chief Business Officer of AVIC International (HK) Group Limited, GM of AVIC International (HK) Trading Limited.

Ms. Cao Zhen, born in October, 1971, EMBA of China Europe International Business School. Ms. Cao is a supervisor of the Company, vice-secretary of the Discipline Inspection Commission and the chief of the Discipline Inspection Department of AVIC International Holding Corporation. Ms. Cao used to be the chief editor, deputy manager and manager of the administrative management department, the secretary of the Board, the assistant to the GM of AVIC News of AVIC International Shenzhen Company Limited, the manager of the enterprise culture department of AVIC International Holding Corporation, the chief of the CPC Construction and Ideological and Political Work Department, the discipline secretary and the chairman of the trade union of AVIC International Shenzhen Company Limited, deputy leader of the discipline inspection team and the chief of the discipline inspection, supervision and audit department of AVIC International Holding Corporation.

Ms. Hu Jing, born in September, 1971, is an intermediate accountant and holds a bachelor's degree in accounting from Jiangxi University of Finance and Economics. He is currently the fund supervisor the financial department and a staff representative supervisor of the Company. She used to be the senior business manager of the audit department and the tax supervisor of the finance department of the Company.

Mr. Lu Wanjun, born in February, 1967, accountant and EMBA of China Europe International Business School. He is now a deputy GM and chief law adviser of the Company. He used to be the assistant to the GM of the Company, executive

deputy GM and deputy GM, the assistant to the GM and concurrently the manager of the financial department of Shenzhen Harmony World Watches Center Co., Ltd.

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

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

Mr. Song Yaoming, born in July, 1967, accountant, master of economics of Shaanxi College of Finance and Economics and EMBA of China Europe International Business School. He is now the chief accountant of the Company. He used to be the deputy general manager and chief accountant of Rainbow Digital Commercial Co., Ltd., director of Shenzhen Aoxuan Investment Co., Ltd., director of Shenzhen Aoer Investment Development Co., Ltd., and deputy manager and accountant of the financial department of Shenyang FAW Jinbei Automobile Co., Ltd.

Mr. Tang Haiyuan, born in February, 1973, senior engineer, bachelor of plastic molding technology and equipment of Hefei University of Technology, and EMBA of China Europe International Business School. He is now a deputy GM of the Company. Mr. Tang used to work for Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd., taking the offices of the GM, a deputy GM, the assistant to the GM, and the manager of its quality department, manager and deputy manager of the engineering and technical department; also work for Shenzhen FIYTA Technology Development Co., Ltd., taking offices of the assistant to the GM and the manager of the technical department.

Office taking in shareholder companies

Names of the persons in office	Names of the Shareholders	Titles engaged in the shareholders	Starting date of tenure	Expiry date of tenure	Does he/she receive remuneration or allowance from the shareholder
Xiao Yi	AVIC International Holding Corporation	Chief of the CPC Organization Department/Human Resource Department			Yes
Xiao Zhanglin	AVIC International Holding Corporation	Chief of the Operation and Management Department			Yes
Li Peiyin	AVIC International Holding Corporation	Deputy chief of the financial management department (presiding the work)			Yes
Deng Jianghu	AVIC International Holding Corporation	Deputy chief of the planning & development department (executive)			Yes
Zheng Qiyuan	AVIC International Holding Corporation	Full-time independent supervisor			Yes
Cao Zhen	AVIC International Holding Corporation	Vice-secretary of the discipline inspection committee and the chief of the discipline inspection department			Yes

Office taking in other organizations

Names of the persons in office	Names of the other organizations	Titles engaged in other organizations	Starting date of tenure	Expiry date of tenure	Does he/she receive remuneration or allowance from other organization
Xiao Yi	Tianma Micro-electronics Co., Ltd.	Director	February 26, 2021		No
	Shennan Circuit Co., Ltd.	Director	April 06, 2021		No
	AVIC IHL (Zhuhai)	Director	December 27, 2021		No
	AVIC International Economic & Trade Development Limited	Director	December 27, 2021		No
Xiao Zhanglin	Shennan Circuit Co., Ltd.	Director	June 18, 2015		No
	Rainbow Digital Commercial Co., Ltd.	Director	September 27, 2017		No
Li Peiyin	Rainbow Digital Commercial Co., Ltd.	Director	February 24, 2021		No
	Shennan Circuit Co., Ltd.	Director	April 06, 2021		No
Deng Jianghu	Tianma Micro-electronics Co., Ltd.	Director	November 29, 2021		No

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

Inapplicable

3. Remuneration to Directors, Supervisors and Senior Executives

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

The Company practiced the annual salary system for its directors and senior executives. The annual salary structure consists of the basic annual salary and performance based annual salary. The assessment of senior executives is conducted according to the Measures for Administration of the Remuneration to Senior Executives.

Remuneration to Directors, Supervisors and Senior Executives during the Reporting Period

In CNY 10,000

Name	Title	Gender	Age	Office Status	Total pretax remuneration received from the Company	Is the remuneration from one of the Company's related parties
Zhang Xuhua	Chairman of the Board	Male	45	In office	42.27	No
Xiao Yi	Director	Male	48	In office	0	Yes
Xiao Zhanglin	Director	Male	46	In office	0	Yes
Li Peiyin	Director	Male	36	In office	0	Yes
Deng Jianghu	Director	Male	38	In office	83.91	Yes
Pan Bo	Managing Director	Male	46	In office	232.22	No
Wang Jianxin	Independent Director	Male	52	In office	9	No
Zhong Hongming	Independent Director	Male	47	In office	9	No

Tang Xiaofei	Independent Director	Male	48	In office	9	No
Zheng Qiyuan	Chairman of the Supervisory Committee	Male	59	In office	0	Yes
Cao Zhen	Supervisor	Female	51	In office	0	Yes
Hu Jing	Supervisor	Female	51	In office	37.24	No
Lu Wanjun	deputy GM and chief law adviser	Male	55	In office	198.94	No
Liu Xiaoming	Deputy GM	Male	51	In office	247.94	No
Li Ming	Deputy GM	Male	49	In office	189.94	No
Tang Haiyuan	Deputy GM	Male	49	In office	201.97	No
Huang Yongfeng	Chairman of the Board	Male	48	Retired	184.75	Yes
Wang Mingchuan	Director	Male	56	Retired	0	Yes
Fu Debin	Director	Male	45	Retired	0	Yes
Wang Bo	Director	Male	43	Retired	0	Yes
Chen Libin	Managing Director	Male	58	Retired	180.5	No
Wang Baoying	Chairman of the Supervisory Committee	Male	58	Retired		Yes
Sheng Qing	Supervisor	Female	46	Retired	120.67	No
Fang Jiasheng	Supervisor	Male	35	Retired	49.75	No
Chen Zhuo	Chief Accountant & Secretary of the Board	Male	46	Retired	198.94	No
Xu Chuangyue	Deputy GM	Male	43	Retired	72.68	No
Total	--	--	--	--	2,068.72	--

VI. Duty Performance of Directors in the Reporting Period

1. Board Meetings

Sessions	Meeting date	Date of disclosure	Resolutions of the meetings
25th session of the Ninth Board of Directors.	January 15, 2021	January 16, 2021	Announcement on the Resolution of the 25th Session of the Ninth Board of Directors, 2021-006
26th session of the Ninth Board of Directors.	February 04, 2021	February 05, 2021	Announcement on the Resolution of the 26th Session of the Ninth Board of Directors, 2021-015
27th session of the Ninth Board of Directors	March 08, 2021	March 10, 2021	Announcement on the Resolution of the 27th Session of the Ninth Board of Directors, 2021-026
28th session of the Ninth Board of Directors	April 12, 2021	April 13, 2021	Announcement on the Resolution of the 28th Session of the Ninth Board of Directors, 2021-037
29th session of the Ninth Board of Directors	May 21, 2021	May 22, 2021	Announcement on the Resolution of the 29th Session of the Ninth Board of Directors, 2021-048
30th session of the Ninth Board of Directors	June 11, 2021	June 15, 2021	Announcement on the Resolution of the 30th Session of the Ninth Board of Directors, 2021-052
31st session of the Ninth Board of Directors	July 01, 2021	July 02, 2021	Announcement on the Resolution of the 31st Session of the Ninth Board of Directors, 2021-062

32nd session of the Ninth Board of Directors	August 18, 2021	August 20, 2021	Announcement on the Resolution of the 32nd Session of the Ninth Board of Directors, 2021-072
1st session of the Tenth Board of Directors	September 08, 2021	September 09, 2021	Announcement on the Resolution of the 1st Session of the Tenth Board of Directors, 2021-085
2nd session of the Tenth Board of Directors	October 25, 2021	October 26, 2021	Announcement on the Resolution of the 2nd Session of the Tenth Board of Directors, 2021-090
3rd session of the Tenth Board of Directors	November 12, 2021	November 13, 2021	Announcement on the Resolution of the 3rd Session of the Tenth Board of Directors, 2021-097
4th session of the Tenth Board of Directors	December 28, 2021	December 29, 2021	Announcement on the Resolution of the 4th Session of the Tenth Board of Directors, 2021-104

2. Attendance of Directors for Board Meetings and General Meetings

Attendance of Directors for Board Meetings and General Meetings							
Names of Directors	Number of Board meetings which should be attended in the reporting period	Number of Spot Attendances	Number of Meetings Attended by Communication	Number of attendances of board meeting by proxy	Number of absence	Failure to personally attend board meetings successively twice	Number of attendance of the General Meeting
Zhang Xuhua	6	1	5	0	0	No	1
Xiao Yi	10	2	8	0	0	No	0
Xiao Zhanglin	12	2	10	0	0	No	0
Li Peiyin	10	2	8	0	0	No	0
Deng Jianghu	4	1	3	0	0	No	0
Pan Bo	10	2	8	0	0	No	5
Wang Jianxin	12	2	10	0	0	No	6
Zhong Hongming	12	2	10	0	0	No	0
Tang Xiaofei	12	2	10	0	0	No	0

Note to failure to attend the board meeting successively twice

Inapplicable

3. Objection of directors on some relevant issues

Have the directors proposed any objection on the relevant issues of the Company

No

4. Other Note to Duty Performance of Directors

Have the directors' recommendations to the Company been accepted

Yes

Explanation on why the directors' recommendations have been accepted or not been accepted

During the reporting period, the Board of Directors gave full play to the role of "setting strategies, making decisions, and

preventing risks". The directors of the Company attended Board Meetings on time in strict accordance with the "Company Law", "Code of Corporate Governance for Listed Companies" and other laws and regulations and the "Articles of Association", diligently and conscientiously performed duties and rights of directors, and fully deliberated, made suggestions and voted on the resolutions of the Board of Directors. The Company fully considered and adopted the constructive opinions put forward by directors in terms of business development decision-making, internal system construction, personnel appointment and dismissal, external investment, and implementation of equity incentive plans.

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

Names of Special Committees	About the members	Number of meetings held	Meeting date	Description of meetings	Important comments and suggestions made	Other duty performances	Specific objections (if any)
Strategy Committee	Chairman of the committee: Zhang Xuhua Committee members: Xiao Zhanglin, Deng Jianghu, Pan Bo and Tang Xiaofei	2	March 08, 2021	Reviewed and approved 2020 Annual Work Report of the Board of Directors and the Company's 2020 Profit Distribution Proposal.	During the reporting period, the members of the Strategy Committee conducted in-depth discussions and analysis on the Company's operating conditions and development prospects, proposed valuable suggestions and opinions for the Company's development strategy, and provided strong support for the scientific decision-making of the Board of Directors.		
			May 21, 2021	Reviewed and approved the proposal on investing in the establishment of a wholly-owned subsidiary.			
Audit Committee	Chairman of the committee: Wang Jianxin; members: Li Peiyin, Xiao Zhanglin and Tang Xiaofei	4	March 08, 2021	Reviewed and approved 2020 Annual Report, 2020 Annual Internal Control Self-assessment Report, the 2020 Annual Internal Audit Work Report, the Changes in Accounting Policies, the Provision for Impairment of	During the reporting period, in line with the principle of diligently performing duties and seeking truth from facts, members of the Audit Committee provided advice and suggestions in guiding internal audit work, supervising and evaluating external audit institutions, and establishing effective		

				Assets and the Write-off of Bad Debts in Year 2020, etc.	internal control mechanisms, and actively safeguarded the interests of the		
			April 12, 2021	Reviewed and approved the Company's 2021 1st Quarter Report and summary, and the 2021 1st Quarter Audit Work Report of the Discipline Inspection and Law Department	Company and all shareholders.		
			August 18, 2021	Reviewed and approved the Company's 2021 Semi-annual Report and Summary, and such proposals as the change of accounting firm, and the signing of a financial service agreement with AVIC Finance Co., Ltd.			
			October 25, 2021	Reviewed and approved the Company's 2021 3rd Quarterly Report and the proposal of repurchase of the Company's partial domestically listed foreign shares (B shares).			
Committee of Nomination, Remuneration and	Chairman of the Committee: Zhong Hongming;	10	January 15, 2021	Reviewed and approved the Proposals on	During the reporting period, the members of the Nomination,		

Assessment of the Board of Directors	members: Xiao Yi, Xiao Zhanglin, Wang Jianxin and Tang Xiaofei			Adjusting the List of Incentive Objects of the Company's 2018 A-share Restricted Stock Incentive Plan (Phase II), the Number of Grants and the Granting of Restricted Shares and the Appointment of the Company's General Manager and Secretary of the Board.	Remuneration and Assessment Committee prudently discussed and judged the qualifications of nominated directors and senior executives, carefully reviewed the implementation of the Company's equity incentive plan and the directors' remuneration assessment plan, etc., and effectively fulfilled relevant responsibilities.			
				February 04, 2021				Reviewed and approved the proposal on the proposed change of directors and the repurchase and cancellation of some restricted shares.
				March 08, 2021				Reviewed and approved the proposal on the remuneration of directors and senior executives in 2020 and the adjustment of various special committees of the Board.
				April 12, 2021				Reviewed and approved the proposal on the repurchase and cancellation of some restricted shares.
				June 11, 2021				Reviewed and

				approved the proposal on the proposed change of directors and the repurchase and cancellation of some restricted shares.		
			July 01, 2021	Reviewed and approved the proposal on electing the Chairman of the Company, adjusting the members of the Strategy Committee of the Board of Directors, and repurchase and cancellation of some restricted shares.		
			August 18, 2021	Reviewed and approved the proposal on the election of directors for the new Board of Directors and repurchase and cancellation of some restricted shares.		
			September 08, 2021	Reviewed and approved the proposals on the election of the Chairman of the Company, adjusting the members of the strategy committee of the Board, and repurchase and cancellation of		

				some restricted shares.		
			October 25, 2021	Reviewed and approved the proposal on the appointment of the Chief Law Adviser of the Company.		
			December 28, 2021	Reviewed and approved the proposal on the achievement of the release of restrictions during the second release period of the 2018 A-share Restricted Stock Incentive Plan (Phase I).		

VIII. Work Summary of the Supervisory Committee

Did the Supervisory Committee find any risk involved in performing the supervision activities in the reporting period

No

IX. Employees

1. Number, Job Composition and Education Background of Employees

Number of employees working for the parent company at the end of the reporting period (persons)	129
Number of employees working for the major subsidiaries at the end of the reporting period (persons)	4,952
Total of employees at the end of the reporting period (persons)	5,081
Total employees receiving remuneration in the reporting period (persons)	5,081
Number of the retired employees for whom the parent company and the major subsidiaries need to share the pension (persons)	0
Job Composition	
Job Composition Categories	Number of persons involved in the job composition
Production	372

Sales	3,745
Technical	399
Financial	142
Administrative	423
Total	5,081
Education background	
Education levels	Number of persons
Master's degree or higher	91
Undergraduate	731
Junior college	1,336
Below junior college	2,923
Total	5,081

2. Remuneration Policy

The Company has worked out its remuneration policy by taking its business development planning and management practice into consideration and based on the principles of focusing on the values, creating and sharing core concepts, following hierarchical management, budget control, performance orientation, efficiency priority, fairness, positive incentives, and long-term attention. The Company has established a remuneration system with the assessment based annual salary system for medium and senior executives, performance-based salary systems for staff positions, and the production & performance jointly related payroll systems for production operators in accordance with the national laws, regulations and policies. The following administrative measures have been taken in implementation of the remuneration policy:

Total salary management: the Company has prepared an annual remuneration budget based on the annual business planning, adjusted and controlled the total remuneration with such factors as the market remuneration level, organization efficiency, adjustment of the talent team, etc., and has achieved the management goal of benefit-orientation, positive incentive, classification management and adjusted distribution;

Classification and grading of the management: The Company has established a differentiated, standardized, and market-oriented salary framework system that matches the job sequence and job level according to the professional/occupational development system of employees;

With value as the key link, co-creating and sharing: the Company designs the incentive system according to the closed-loop value chain of value creation, evaluation and distribution. Through the establishment of value evaluation system and real-time incentive system consistent with the strategic development goals, the Company has formed a compensation along with the Company's benefits and personal performance, incremental compensation to the core key positions, excellent talent incentive mechanism.

3. Training Program

(I) Building a team of high-quality professional talents and improve the readiness of talents for key positions

In respect of training, the Company, relying on FIYTA Training Center, focused on the training of echelon talents, built a talent reserve pool, and improved the organization's talent readiness; created a learning atmosphere within the organization, and promoted the construction of a professional talent learning system through the projects such as "Outstanding Craftsman Reservoir" and "Lean Six Sigma".

(II) Consolidating the terminal business talent training system, and building a strong terminal professional team

In terms of terminal business talent training, the Company is building a customer-oriented terminal retail post training system, has strengthened the training of business personnel through the "bullseye training model", optimized learning contents, strengthened learning methods, and used "double excellence" as a starting point to consolidate the business echelon management and operation ability.

(III) With the project-based talent training system to create sustainable training

Cultivate talents by means of project management method and logic, follow the 721 rules to design training programs, introduce conceptual tools such as experience extraction, action learning, performance improvement, and situational assessment, and precipitate star training programs such as "Nova Program", "Aerospace Learning Month", "Star Theory", etc.

(IV) Carrying out targeted training in close combination with business strategic priorities

The training contents closely match the Company's strategic direction and business focus, and continue to promote excellent sales ability improvement training to empower terminals; according to the needs of market development, timely conduct training such as new media operation training, brand strategic positioning training, etc., to help improve brand management capabilities and strategic transformation innovation.

4. Labor Outsourcing

Inapplicable

X. Profit Distribution and Reserve Capitalization

Preparation, Implementation or Adjustment of the Policy for Profit Distribution, Especially the Policy for Cash Dividend Distribution in the Reporting Period

The Company's 2020 Profit Distribution Plan was reviewed and approved at the 27th session of the Ninth Board of Directors held on March 8, 2021 and 2020 Annual General Meeting held on May 7, 2021 for review. It was resolved that with the Company's total share capital as at the date of record for future implementation of the profit distribution plan as the base, the Company distributed cash dividend at the rate of CNY 4.00 for every 10 shares (with tax inclusive) with the total cash dividend distributed not exceeding CNY 174,300,752.40, distribute bonus share at the rate of 0 share for every 10 shares to the whole shareholders and capitalized no reserve.

According to relevant laws and regulations, the Company's B shares held by the Company through the special securities account for repurchase did not have the right to participate in the profit distribution. In accordance with the principle that

the amount of cash dividends remained unchanged, the final implementation plan of the Company's equity distribution in 2020 was as follows: with the Company's existing share capital amounting to 426,556,436 shares involved in the distribution (the total share capital of 435,550,522 shares on the equity registration date deducting the repurchased shares in the special securities account for repurchase totaling 8,994,086 shares) as the base, the Company distributed the cash dividend at the rate of CNY 4.084341(with tax inclusive) to all shareholders for every 10 shares, distributed 0 bonus shares, and capitalized no reserve.

The profit distribution plan was implemented on June 3, 2021. For the detail, please refer to the "Announcement on the Implementation of 2020 Annual Equity Distribution 2021-050"disclosed by the Company on www.cninfo.com.cn.

Special Note to Cash Dividend Distribution Policy	
Does it comply with the Articles of Association or the resolution of the General Meeting?	Yes
Are the dividend distribution standard and proportions explicit and clear?	Yes
Are the relevant decision-making procedures and mechanism complete?	Yes
Have the independent directors done their duties and brought their role into full play?	Yes
Do minority shareholders have opportunity to fully express their opinions and claims? Has their legal interest been fully protected?	Yes
In case the cash dividend distribution policy has been adjusted or altered, do the conditions and procedures comply with the law and are they transparent?	Inapplicable

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

Inapplicable

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

Bonus shares distributed at the rate of ___ (share) for every 10 shares	0
Dividend distributed at the rate of CNY___ for every 10 shares (with tax inclusive)	3.00
Share capital base for the dividend distribution preplan (shares)	426,051,015
Total cash dividend distributed (with tax inclusive)	127,815,304.50
Amount of cash dividend distributed in other way(s) (such as shares repurchased)	4,653,185.52
Total amount of cash dividend (including other way(s)) (CNY)	132,468,490.02
Profit available for distribution (CNY)	834,920,189.09

Proportion of the cash dividend in the total profit available for distribution (with other method inclusive)	100%
Cash Dividend Distribution for the Reporting Year	
Others	
Detailed information for profit distribution or conversion of capital reserve into share capital preplan	
<p>The Company's 2021 Profit Distribution Plan was reviewed and approved at the 6th session of the Tenth Board of Directors held on March 8, 2022. The Company plans to take the number of shares after deduction of the shares in the special securities account for repurchase from the total number of shares on the equity registration date as the base when the profit distribution plan is implemented in the future and distributes cash dividend at rate of CNY 3.00 (with tax inclusive) for every 10 shares to all shareholders, and distribute 0 bonus share, and capitalize no reserve.</p> <p>From the time of disclosing this profit distribution plan to that prior to the implementation, in the event of share repurchase, the Company intends to adjust the total distribution amount in accordance with the principle of fixed distribution ratio.</p> <p>The profit distribution plan is subject to review and approval of the General Meeting before implementation.</p>	

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

1. Equity incentive

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

The 3rd session of the Ninth Board of Directors held on November 12, 2018 and 2019 1st Extraordinary General Meeting held on January 11, 2019 decided to start 2018 A-Share Restricted Stock Incentive 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 restricted A-shares to 128 persons eligible for the incentive. These restricted shares were awarded at price of CNY 4.40/share and were entirely awarded and registered for trading by January 30, 2019. 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. The specific implementation during the reporting period is summarized as follows:

Reviewed and approved at the 24th session of the Ninth Board of Directors, the conditions for the release of the restriction for sales in the first release period of the Company's 2018 A-share Restricted Stock Incentive Plan (Phase I) were satisfied, the 1.357641 million A-share restricted shares involved were 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 12, 2021.

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

Reviewed and approved at the 28th session of the Ninth Board of Directors and 2020 Annual General Meeting, the Company decided to repurchase and cancel the 40,020 restricted A-shares which were already granted to but with the restriction not yet relieved held by 2 retired incentive objects. For the detail, refer to the relevant announcement disclosed

in <http://www.cninfo.com.cn>. respectively on April 13, 2021 and May 8, 2021.

Reviewed and approved at the 30th session of the Ninth Board of Directors and 2021 3rd Extraordinary General Meeting, the Company decided to repurchase and cancel the 33,350 restricted A-shares which were already granted to but with the restriction not yet relieved held by 1 retired incentive objects. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. respectively on June 15, 2021 and July 2, 2021.

Reviewed and approved at the 31st session of the Ninth Board of Directors, the 32nd session of the Ninth Board of Directors and 2021 4th Extraordinary General Meeting, the Company decided to repurchase and cancel the 102,051 restricted A-shares which were already granted to but with the restriction not yet relieved held by 3 retired incentive objects. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. respectively on July 2, 2021, August 29, 2021 and September 9, 2021.

Reviewed and approved at the 4th session of the Tenth Board of Directors, the conditions for the release of the restriction for sales in the second release period of the Company's 2018 A-share Restricted Stock Incentive Plan (Phase I) were satisfied, the 1.244421 million A-share restricted shares involved were listed for trading on February 7, 2022. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. on January 28, 2022.

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

The 23rd session of the Ninth Board of Directors held on December 4, 2020 and 2021 1st Extraordinary General Meeting held on January 6, 2021 decided to start 2018 A-Share Restricted 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 restricted A-shares to 135 persons eligible for the incentive. These restricted shares were awarded at price of CNY 7.60/share and were entirely awarded and registered for trading by January 29, 2021. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. on January 16, 2021. The specific implementation during the reporting period is summarized as follows:

Reviewed and approved at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting, the Company decided to repurchase and cancel the 150,000 restricted A-shares which were already granted to but with the restriction not yet relieved held by 1 retired incentive object. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. respectively on February 5, 2021 and February 25, 2021.

Reviewed and approved at the 28th session of the Ninth Board of Directors and 2020 Annual General Meeting, the Company decided to repurchase and cancel the 120,000 restricted A-shares which were already granted to but with the restriction not yet relieved held by 3 retired incentive objects. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. respectively on April 13, 2021 and May 8, 2021.

Reviewed and approved at the 30th session of the Ninth Board of Directors and 2021 3rd Extraordinary General Meeting, the Company decided to repurchase and cancel the 100,000 restricted A-shares which were already granted to but with the restriction not yet relieved held by 1 retired incentive objects. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. respectively on June 15, 2021 and July 2, 2021.

Reviewed and approved at the 32nd session of the Ninth Board of Directors and 2021 4th Extraordinary General Meeting, the Company decided to repurchase and cancel the 110,000 restricted A-shares which were already granted to

but with the restriction not yet relieved held by 2 retired incentive objects. For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. respectively on August 20, 2021 and September 9, 2021.

Equity incentive to directors and senior executives of the Company

In shares

Names	Title	Number of vested shares during the reporting period	Number of strike shares during the reporting period	Strike price and the number of strike shares during the reporting period (CNY/share)	Market price at the end of the reporting period (CNY/share)	Quantity of restricted shares held at the beginning of the reporting period	Quantity of the shares unlocked in the reporting period	Quantity of restricted shares newly granted during the reporting period	Price of the restricted shares granted (CNY/share)	Quantity of restricted shares held at the end of the reporting period
Zhang Xuhua	Chairman of the Board	0	0		0	0	0	0		0
Xiao Yi	Director	0	0		0	0	0	0		0
Xiao Zhanglin	Director	0	0		0	0	0	0		0
Li Peiyin	Director	0	0		0	0	0	0		0
Deng Jianghu	Director	0	0		0	33,000	10,989	80,000	7.60	0
Pan Bo	Managing Director	0	0		0	80,000	26,640	150,000	7.60	203,360
Wang Jianxin	Independent Director	0	0		0	0	0	0		0
Zhong Hongming	Independent Director	0	0		0	0	0	0		0
Tang Xiaofei	Independent Director	0	0		0	0	0	0		0
Lu Wanjun	deputy GM and chief law adviser	0	0		0	80,000	26,640	150,000	7.60	203,360
Liu Xiaoming	Deputy GM	0	0		0	80,000	26,640	150,000	7.60	203,360
Li Ming	Deputy GM	0	0		0	80,000	26,640	150,000	7.60	203,360
Tang Haiyuan	Deputy GM	0	0		0	60,000	19,980	150,000	7.60	190,020
Huang Yongfeng (Retired)	Chairman of the Board	0	0		0	100,000	33,300	0		0
Chen Libin (retired)	Managing Director	0	0		0	100,000	33,300	180,000	7.60	246,700
Chen Zhuo	Chief	0	0		0	80,000	26,640	150,000	7.60	203,360

(retired)	Accountant & Secretary of the Board									
Xu Chuangyue (retired)	Deputy GM	0	0		0	50,000	16,650	150,000	7.60	0
Total	--	0	0	--	--	743,000	247,419	1,310,000	--	1,453,520
Remarks (If any)	According to the relevant regulations of the Company's equity incentive plan, since Mr. Deng Jianghu, Mr. Huang Yongfeng and Mr. Xu Chuangyue are the original incentive objects who have resigned, the Company has respectively granted but not yet lifted the restrictions on their holdings during the reporting period. The relevant repurchase and cancellation procedures have been completed.									

Assessment and Incentive Mechanism for Senior Executives

In order to establish and improve the Company's incentive and restraint mechanism for senior executives, give full play to and mobilize the enthusiasm of the Company's executives, improve the Company's operational capabilities and economic benefits, and ensure the realization of the company's strategic goals, the Company continuously improved the work of tenure and contractual management of executives. With year/tenure as a period, the Company carried out the assessment of business performance objectives, and continued to promote the implementation of the rigid realization of rewards and punishments based on the assessment results, reflecting the strong incentives and hard constraints of remuneration, adhered to performance orientation, and strengthened effective incentives for accurate assessments.

2. Implementation of the Employee Stock Ownership Plan

Inapplicable

3. Other employee incentive measures

Inapplicable

XII. Construction and Implementation of the Internal Control System during the Reporting Period

1. Construction and Implementation of the Internal Control System

In order to strengthen the Company's internal control, promote the Company's standardized operation and healthy development, and protect the legitimate rights and interests of shareholders, the Company has established and improved the Company's internal control system in accordance with the "Company Law", "Securities Law" and other laws and regulations, and has conducted effective implementation.

During the reporting period, the Company continued to promote the work related to the integration and optimization of internal control, risk management and compliance management supervision. The Company did not have any significant defects and shortcomings in the internal control.

2. Particular case found involving material defects in the internal control during the reporting period

No

XIII. Management and Control of the Subsidiaries during the Reporting Period

Inapplicable

XIV. Internal Control Self-assessment Report or Internal Control Audit Report**1. Self-assessment Report of the Internal Control**

Date of disclosing the full text of the internal control assessment report	March 10, 2022	
Index of disclosure of the full text of the internal control assessment report	www.cninfo.com.cn	
Proportion of the total assets of the organizations involved in the assessment in the total assets of the Company's consolidated financial statements	100.00%	
Proportion of the operation revenue of the entitled involved in the assessment in the total operation revenue of the Company's consolidated financial statements	100.00%	
Criteria for affirming the defects		
Categories	Financial report	Non-financial Report
Qualitative criteria	<p>① The defects involves fraud by directors, supervisors and senior managers;</p> <p>② Correction of published financial statements;</p> <p>③ Certified public accountants found that there was a material misstatement in the financial statements of the current period, while internal control failed to find the misstatement in the operation process;</p> <p>④ The Company's audit committee and the discipline inspection, audit and law department conducted ineffective supervision over the internal control.</p>	<p>① Serious violation of national laws, administrative regulations and normative documents;</p> <p>② "Decision-making of major issues, appointment and removal of important cadres, arrangement of important projects, use of large funds" failed to undergo collective decision-making process;</p> <p>③ Serious loss of key officers and technical personnel;</p> <p>④ Lack of rules and regulations for control of or expiry of the system of rules and regulations to important businesses of the Company's production and operation;</p> <p>⑤ Expiry of the internal control of information disclosure resulted in public censure to the Company by the regulatory authority;</p> <p>⑥ The result of the assessment of the internal control showed extraordinary defect</p>

		or serious defect has not be rectified.
Quantitative criteria	① Material defect: misstatement \geq 5% of the pre-tax profit ② Important defect: 1% of the pre-tax profit \leq misstatement $<$ 5% of the pre-tax profit ③ General defect: misstatement $<$ 1% of pre-tax profit	① Material defect: misstatement \geq 5% of the pre-tax profit ② Important defect: 1% of the pre-tax profit \leq misstatement $<$ 5% of the pre-tax profit ③ General defect: misstatement $<$ 1% of pre-tax profit
Number of material defects in financial reports (pcs)		0
Number of material defects in non-financial reports (pcs)		0
Number of important defects in financial reports (pcs)		0
Number of important defects in non-financial reports (pcs)		0

2. Internal Control Audit Report

Deliberation Opinions in the Internal Control Audit Report	
In our opinion, the Company maintained effective internal control over its financial report in all major aspects in accordance with the Basic Standard for Enterprise Internal Control and other relevant regulations as at December 31, 2021.	
Disclosure of the internal control audit report	Disclosed
Date of disclosing the full text of the internal control assessment report	March 10, 2022
Index of disclosing the full text of the internal control audit report	www.cninfo.com.cn
Type of the opinions in the internal control audit report	Standard unqualified auditor's report
Are there any material defects in the non-financial report	No

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

No

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

Yes

XV. Rectification of the Problems Found in the Self-inspection during the Special Campaign to Improve the Governance of Listed Companies

During the reporting period, in accordance with the spirit of the CSRC's "Announcement on Launching Special Campaign to Improve the Governance of Listed Companies" (CSRC Announcement [2020] No. 69) and other documents, the Company fully completed the special self-inspection work according to the special self-inspection list for governance of a listed company. Through this self-inspection, the Company believes that that the Company complies with the requirements specified in the "Company Law", "Code of Corporate Governance for Listed Companies.", "the Guidelines on the Bylaws of Listed Companies" and other laws and regulations in its overall company governance with quite complete governance structure and law-compliance operation.

The two problems existing in the Company and the rectification as following:

1. Some directors, supervisors and senior executives of the Company failed to attend the General Meeting of Shareholders due to work arrangements and failed to implement the regulations for the application for leave.

Rectification: From the end of the self-inspection work to the end of the reporting period, the Company held 4 general meetings of shareholders. The directors, supervisors and senior executives who were unable to attend (or attend as non-voting delegates) the meeting due to work arrangements have all signed the application for leave.

2. There were 8 defects found in the Company's Self-assessment of the Internal Control in 2019 with the defect level as general defects.

Rectification: The Company has completed the rectification of the above 8 general defects in 2020, and there were no major defects in the Company's internal control.

Section 5 Environment and Social Responsibility

I. Significant Issues concerning Environmental Protection

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

Yes

Name of the Company or its Subsidiary	Description of the major pollutants or specific pollutant	Way of discharging	Number of discharging outlets	Distribution of the discharging outlets	Discharging concentration	Pollutant Discharge Standards in Force	Total discharge volume	Total discharge volume verified	Over-discharging
Shanghai Watch Industry Co., Ltd.	Nickel and 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	406 tons/year	650 tons/year	None

Construction and operation of the pollution prevention and control facilities

Shanghai Watch Co., Ltd. reconstructed the waste water treatment 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 Ministry of Ecology and Environment for energy saving and consumption reduction, the Company newly added a set of membrane filtration heavy metal device during the reporting year. As a result, its electroplating wastewater has reached the standard for clean water after the treatment. Therefore, the Company reuses a part of the water (recycling) , so that the total wastewater discharge last year was reduced by about 244 tons, and the recycling rate was about 37%.

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 Bureau of Ecology and Environment 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 Bureau of Ecology and Environment of Shanghai and has received the Pollutant Discharge Permit issued by the said authority at the end of 2019. Since the individual non-heavy pollutant factors originally approved in the "Pollutant Discharge Permit" did not belong to the Company's discharge scope, the Company requested to change the

"Pollutant Discharge Permit", which was now been re-examined by the Yangpu District Bureau of Ecology and Environment and was issued on October 20, 2021.

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 Bureau of Ecology and Environment of Shanghai and has been published on the Environmental Information Disclosure Platform of Enterprises and Institutions of Shanghai.

Environment Self-Monitoring Program

Yangpu District Bureau of Ecology and Environment of Shanghai monitors the Company once a quarter. The Company entrusted a qualified third-party organization (Shanghai Textile Energy Conservation Center) to monitor and issue monitoring report every six months. The Company is equipped with online monitoring instruments and communicates with the district bureau of ecology and environment. The platforms of the bureau and the district government are connected to the Internet to transmit the concentration data of heavy pollution factors 24 hours a day.

Administrative penalties for environmental issues during the reporting period

Inapplicable

Other environment information necessary to be disclosed

The Company has disclosed the concerned information on the Environmental Information Disclosure Platform of Enterprises and Institutions of Shanghai according to the requirements of the local environmental protection authorities. Website: <https://e2.sthj.sh.gov.cn>.

Measures taken to reduce carbon emissions during the reporting period and their effect

Inapplicable

Other information in connection with the environmental protection

Inapplicable

II. Social Responsibilities

For the detail, please refer to the "2021 Corporate Social Responsibility Report" disclosed by the Company on March 10, 2022 on www.cninfo.com.cn.

III. Consolidating and Expanding the Achievements of Poverty Alleviation and Rural Revitalization

During the reporting period, the Company actively responded to national policies and participated in targeted poverty alleviation and rural revitalization through various means. Through the "LOVE•AVIATION", the aviation industry love support platform the Company has purchased "LOVE•AVIATION" agricultural products during the Dragon Boat Festival, Mid-Autumn Festival and other traditional Chinese festivals to help poverty-stricken counties in Guizhou etc. in getting rid of poverty; carried out culturally characteristic poverty alleviation activities. On August 3, 2021, the "Children Enjoying Beautiful Time" Hand-in-Hand Summer Camp jointly organized by Shenzhen Chenghan Public Welfare Foundation and

Gansu Aesthetic Education Promotion Association invited more than 50 teachers and students from Linxia, Gansu Province to enter the Park of FIYTA Clock Building and hold a "Hand-in-Hand Summer Camp" and the "Love being only Because of You" theme public welfare activities were successfully held.

Section 6 Significant Events

I. Implementation of Commitments

1. Commitments made by the Company's actual controller, shareholders, related parties, acquirers, the Company and other relevant parties fulfilled during the reporting period and not fulfilled as of the end of the reporting period

Inapplicable

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

Inapplicable

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. Explanation of the Board of Directors on the Qualified Auditors' Report for the Latest Period Issued by the CPAs

Inapplicable

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

Inapplicable

VI. Explanation of changes in accounting policies, accounting estimates or correction of significant accounting errors compared with the financial report of the previous year

The Ministry of Finance revised and issued the "Accounting Standards for Enterprises No. 21-Leases" on December 7, 2018. According to the requirement of the Ministry of Finance, a company which is listed both at home and abroad or listed overseas and prepares its financial statements according to the International Financial Reports Standards or the Accounting Standards for Enterprises started implementing the said accounting standards commencing from January 1, 2019; other enterprises implementing the accounting standards for enterprises started the implementation commencing from January 1, 2021. The Company as a domestically listed company started implementing the new lease standards

commencing from January 1, 2021 according to the aforesaid standards and circular promulgated by the Ministry of Finance. For details, please refer to the "Announcement on Change of the Accounting Policies 2021-030" disclosed on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn/> on March 20, 2021.

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

During the reporting period, Shenzhen Xunhang Precision Technology Co., Ltd. and HARMONY World Watch Center (Hainan) Limited, the Company's newly established wholly-owned subsidiaries, were included in the scope of the Company's consolidated statements; the deregistration of 68 Station Co., Ltd., one of the Company's wholly-owned subsidiaries, was completed on March 5, 2021, and it has been excluded from the scope of the Company's consolidated statements.

VIII. Engagement/Disengagement of CPAs

CPAs currently engaged by the Company

Name of the domestic CPAs	Da Hua Certified Public Accountants (Special General Partnership)
Remuneration to the domestic CPAs (in CNY 10,000)	120
Successive years of the domestic CPAs offering auditing services	1
Name of the certified public accountants from the domestic CPAs	Long Jiao and Wang Dong
Successive years of the domestic CPAs offering auditing services	1

Has the CPAs been changed for the reporting period?

Yes

Has the CPAs been replaced during the auditing?

No

Have the examination and approval procedures been implemented in replacing the CPAs

Yes

Detailed explanation on the replacement/change of the CPAs

The 32nd Session of the Ninth Board of Directors held on August 18, 2021 and 2021 4th Extraordinary General Meeting held on September 8, 2021 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, the Company decided to employ Da Hua Certified Public Accountants as the Company's auditor of the financial statements and internal control of year 2021. For details, please refer to the "Announcement on the Change of the CPAs 2021-077" disclosed by the Company on <http://www.cninfo.com.cn/> on August 20, 2021.

Employment of CPAs, financial consultant or sponsor for auditing the internal control

After review and approval at the Company's 4th Extraordinary General Meeting, the Company appointed Da Hua Certified Public Accountants (Special General Partnership) as the auditor of Company's 2021 annual financial statements and

internal control.

IX. Delisting Possibly to be Confronted with after Disclosure of the Annual Report

Inapplicable

X. Matters concerning Bankruptcy Reorganization

Inapplicable

XI. Significant Lawsuits and Arbitrations

Inapplicable

XII. Penalty and Rectification

Inapplicable

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

Inapplicable

XIV. 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. Transactions with the finance company with incidence relation

Deposit business

Related parties	Incidence relation	Maximum deposit limit per	Deposit interest range	Opening balance (CNY 10,000)	Amount incurred in the reporting period	Ending balance (CNY 10,000)

		day (CNY 10,000)			Total amount deposited during the reporting period (in CNY 10,000)	Total amount withdrawn during the reporting period (in CNY 10,000)	
AVIC Finance Co., Ltd.	Finance company with incidence relation	80,000	1.665%	28,353.23	313,638.76	327,213.39	14,778.60

Loan business

Related parties	Incidence relation	Loan amount (CNY 10,000)	Loan interest rate range	Opening balance (CNY 10,000)	Amount incurred in the reporting period		Ending balance (CNY 10,000)
					Total loan during the reporting period (in CNY 10,000)	Total repayments during the reporting period (in CNY 10,000)	
AVIC Finance Co., Ltd.	Finance company with incidence relation	30,000	3.65%	0	20,000	20,000	0

Credit extension and other financial business

Inapplicable

6. Transactions between the finance company controlled by the Company and the related parties

Inapplicable

7. Other Significant Related Transactions

The 27th session of the Ninth Board of Directors held on March 18, 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 Prediction of the Regular Related Transactions in 2021 No. 2021-029 and the Announcement on the Resolution of 2020 Annual General Meeting No. 2021-045. 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.

The 32nd Session of the Ninth Board of Directors held on August 18, 2021 and 2021 4th Extraordinary General Meeting held on September 8, 2021, reviewed and approved the "Proposal for Signing Financial Service Agreement with AVIC Finance Co., Ltd. The Company decided to terminate the original contract with the AVIC Finance Ltd. and sign new Financial Services Agreement. For the detail, refer to the Announcement of the Resolution of the 32nd Session of the Ninth Board of Directors No. 2021-072, the Announcement on the Related Transaction in Connection with Signing Financial Service Agreement with AVIC Finance Co., Ltd. No. 2021-078 and the Announcement on the Resolution of 2021 4th Extraordinary General Meeting No. 2021-087.

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
Announcement on the Resolution of the 32nd Session of the Ninth Board of Directors, 2021-072	August 20, 2021	www.cninfo.com.cn
the Announcement on the Related Transaction in Connection with Signing Financial Service Agreement with AVIC Finance Co., Ltd. No. 2021-078	August 20, 2021	www.cninfo.com.cn
Announcement on the Resolution of 2021 4th Extraordinary General Meeting, 2021-087	September 09, 2021	www.cninfo.com.cn

XV. 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	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?	
Harmony	March 10, 2021	15,000	December 23, 2021	15,000	Guarantee with joint responsibility			1 year	No	No	
the Technology Co.	March 10, 2021	3,000	June 23, 2021	289	Guarantee with joint responsibility			1 year	No	No	
the Technology Co.	March 10, 2021	4,000	April 01, 2021	1,284	Guarantee with joint responsibility			1 year	No	No	
the Hong Kong Co.	March 10, 2021	3,270.4		0	Guarantee with joint responsibility			1 year	No	No	
Total guarantee quota to the subsidiaries approved in the reporting period (B1)			25,270.4	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)							16,573
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)			25,270.4	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)							16,573
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)		25,270.4	Total amount of outward guarantee actually incurred in the report period (A2+B2+C2)							16,573
Total amount of guarantees already approved at the end of the report period (A3+B3+C3)		25,270.4	Total ending balance of guarantees at the end of the report period (A4+B4+C4)							16,573
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)										5.50%
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. Entrusting a Third Party to Manage the Cash Assets

(1) Finance Management on Commission

Inapplicable

(2) Entrusted Loan

Inapplicable

4. Other Important Contracts

Inapplicable

XVI. Notes to Other Significant Events

1. Amendment of the Company's Rules and Regulations

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 Amendment of the Articles of Association disclosed in <http://www.cninfo.com.cn>. on February 5, 2021.

The 3rd session of the Tenth Board of Directors held on November 12, 2021 and 2021 5th Extraordinary General Meeting held on November 30, 2021, reviewed and approved the Proposal on the Amendment of the "Articles of Association", " the Proposal on the Amendment of the Rules of Procedures for the General Meetings ", "the Proposal on the Amendment of the Rules of Procedures of Board Meetings ". For the detail, refer to the relevant announcement disclosed in <http://www.cninfo.com.cn>. on November 13, 2021.

2. Repurchase of Partial Domestically Listed Foreign Investment Shares (B-Shares)

The Company's 2nd Session of the Tenth Board of Directors held on October 25, 2021 and 2021 5th Extraordinary General Meeting held on November 30, 2021 reviewed and approved the "Proposal for the Repurchase of Partial Domestically Listed Foreign Shares (B-Shares)". For the detail, refer to the Report on the Repurchase of Partial Domestically Listed Foreign Shares (B-Shares) No. 2021-102.

XVII. Significant Events of the Company's Subsidiaries

Inapplicable

Section 7 Change of the Shares and Particulars about Shareholders

I. Change of the Shares

1. Change of the Shares

In shares

	Before the change		Increase/decrease (+, -) involved in the change					After the change	
	Quantity	Proportion	New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	Quantity	Proportion
I. Restricted shares	4,457,513	1.04%	7,660,000			-1,982,029	5,677,971	10,135,484	2.38%
1. Shares held by the state	0	0.00%	0			0	0	0	0.00%
2. State corporate shares	0	0.00%	0			0	0	0	0.00%
3. Other domestic shares	4,457,513	1.04%	7,660,000			-1,982,029	5,677,971	10,135,484	2.38%
Including: Domestic corporate shares	0	0.00%	0			0	0	0	0.00%
Shares held by domestic natural persons	4,457,513	1.04%	7,660,000			-1,982,029	5,677,971	10,135,484	2.38%
4. Foreign invested shares	0	0.00%	0			0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%	0			0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0			0	0	0	0.00%
II. Unrestricted shares	423,634,368	98.96%	0			-7,718,837	-7,718,837	415,915,531	97.62%
1. CNY ordinary shares	356,716,368	83.33%	0			1,275,249	1,275,249	357,991,617	84.03%
2. Foreign invested shares listed in Mainland China	66,918,000	15.63%	0			-8,994,086	-8,994,086	57,923,914	13.60%
3. Foreign invested shares listed abroad	0	0.00%	0			0	0	0	0.00%
4. Others	0	0.00%	0			0	0	0	0.00%
III. Total shares	428,091,881	100.00%	7,660,000			-9,700,866	-2,040,866	426,051,015	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. 7,660,000 shares were granted.

As in the Company's 2018 A-share Restricted Stock Incentive Plan (Phase I) and 2018 A-share Restricted Stock Incentive Plan (Phase II), 8 original incentive objects resigned and one passed away, they were no longer eligible for incentives. The Company has repurchased and canceled the 706,780 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.

According to the Company's Proposal for the Repurchase of Partial Domestically Listed Foreign Shares (B-Shares) by the Company, the Company repurchased 8,994,086 B-shares in total during the period from July 23, 2020 to July 22, 2021. This part of the B-shares were canceled on August 3, 2021.

Due to the above reason, the Company's total shares changed from 428,091,881 shares to 426,051,015 shares.

Approval of the Change of the Shares

2021 1st Extraordinary General Meeting held on January 6, 2021 reviewed and approved 2018 Restricted A-Share Incentive Plan (Phase II) (Draft) and the summary, 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 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.

The Company's 2020 Annual General Meeting held on May 7, 2021 authorized the Board of Directors of the Company to repurchase and cancel 160,020 A-share restricted shares with the restriction not yet relieved that had been granted to and held by the former incentive objects three of whom had resigned and another of whom had passed away.

The Company's 2021 3rd Extraordinary General Meeting held on July 01, 2021 authorized the Board of Directors of the Company to repurchase and cancel 133,350 A-share restricted shares with the restriction not yet relieved that had been granted to and held by a retired former incentive object.

The Company's 2021 4th Extraordinary General Meeting held on September 8, 2021 authorized the Board of Directors of the Company to repurchase and cancel 212,051 A-share restricted shares with the restriction not yet relieved that had been granted to and held by three retired former incentive object.

The Company held 2020 2nd Extraordinary General Meeting on July 23, 2020, authorized the Company's Board of Directors to fully handle matters related to the cancellation of the repurchased shares after the repurchase of some domestically listed foreign shares (B-shares) was completed.

Transfer of the Shares Changed

Verified by China Securities Depository & Clearing Corporation Limited Shenzhen Branch, the transfer of the Company's share changes in the reporting period is as follows:

1. The Company's 2018 A-share Restricted Stock Incentive Plan (Phase II) was completed on January 29, 2021. As a result, 7,660,000 shares were granted.

2. The Company completed the repurchase and cancellation of A-share restricted shares on April 23, 2021, July 6, 2021, August 24, 2021 and November 3, 2021. Total repurchase logout 706,780 shares A Shares restrictive stock.

3. As at August 3, 2021, the Company completed repurchase and cancellation of 8,994,086 domestically listed foreign shares (B-shares).

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)	
2021	2020	2021	2020	2021	2020
13.39%	10.78%	0.9036	0.6764	0.9036	0.6764

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 increased in the reporting period	Number of restricted shares relieved in the reporting period	Number of restricted shares at the end of the reporting period	Cause of restriction	Date of relieving the restriction
Chen Libin (retired)	160,000	180,000	33,300	306,700	Locked shares for the retired senior executives	To be unlocked subject to the conditions of the locked shares for the retired senior executives
Chen Zhuo (retired)	118,250	156,640	26,640	248,250	Locked and not yet unlocked restricted shares held by the senior executives	As of the disclosure date, the Company intended to repurchase 176,720 restricted A-shares in accordance with the regulations, and the remaining shares shall be unlocked according to the conditions for unlocking the locked shares held by the retired senior

						executives.
Li Ming	117,530	156,640	26,640	247,530	Locked and not yet unlocked restricted shares held by the senior executives	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Pan Bo	117,500	156,640	26,640	247,500	Locked and not yet unlocked restricted shares held by the senior executives	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	156,640	26,640	247,500	Locked and not yet unlocked restricted shares held by the senior executives	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	156,640	26,640	247,500	Locked and not yet unlocked restricted shares held by the senior executives	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	154,980	19,980	195,000	Locked and not yet unlocked restricted shares held by the senior executives	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the

							Company's equity incentive management
Bao Xianyong	60,000	120,000	19,980	160,020	Not yet unlocked restricted shares		To be unlocked subject to the measures for the Company's equity incentive management
Sun Lei	60,000	120,000	19,980	160,020	Not yet unlocked restricted shares		To be unlocked subject to the measures for the Company's equity incentive management
Sheng Li	60,000	120,000	19,980	160,020	Not yet unlocked restricted shares		To be unlocked subject to the measures for the Company's equity incentive management
Other shareholders	3,469,233	6,264,212	1,111,221	7,915,444	Locked and not yet unlocked restricted shares held by the retired senior executives		To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Total	4,457,513	7,742,392	1,357,641	10,135,484		--	--

II. Issuing and Listing

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

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,	7.60	7,660,000	January 29,			http://www.cninfo	January 28,

	2021			2021			.com.cn/	2021
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Note to issuing of securities (with preferred stock exclusive) in the reporting period

The 23rd session of the Ninth Board of Directors held on December 4, 2020 and 2021 1st Extraordinary General Meeting held on January 6, 2021 decided to start 2018 A-Share Restricted Stock Incentive Plan (Phase 2), 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 restricted A-shares to 135 persons eligible for the incentive. This part of restricted A-shares was all granted by January 15, 2021 and registered for listing by January 29, 2021. For the detail, please refer to the "Announcement on Completion of the Grant Involved in the 2018 A-Share Restricted Stock Incentive Plan (Phase II) 2021-011" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

2. Note to changes of the company's total shares and the structure of shareholders as well as the structure of assets and liabilities

Same as the description in "the Cause of the Change of Shares".

3. Existing Employee Shares

Inapplicable

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shareholding

In shares

Names of the Shareholders	Nature of the shareholder	Shareholding proportion	Number of shares held at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted shares held	Quantity of unrestricted shares held	Pledging, marking or freezing	
							Status of the shares	Quantity
Total common shareholders at the end of the reporting period	34,412	Total common shareholders at the end of the month prior to the date of disclosing the annual report	34,634	Total preference shareholders with the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)	0	Total preference shareholders with the voting power recovered at the end of the month before the day of disclosing the Annual Report (if any) (Refer to Note 8)	0	
Shares held by the shareholders holding over 5% shares or the top ten shareholders								
AVIC International Holding Limited	State corporate	38.25%	162,977,327	-	0	162,977,327		

Guoxin Investment Co., Ltd.	State corporate	1.82%	7,739,898	7,739,898	0	7,739,898		
Construction Bank of China - Penghua Huizhi Optimized Hybrid Securities Investment Fund	Domestic non-state-owned legal person	1.10%	4,679,494	4,679,494	0	4,679,494		
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	Domestic non-state-owned legal person	0.60%	2,556,742	-4,915,693	0	2,556,742		
Qiu Hong	Domestic natural person	0.54%	2,300,000	700,000	0	2,300,000		
China Ifund Asset Management Co., Ltd. - Ifund All-Weather No. 2 Phase G Private Equity Securities Investment Fund	Domestic non-state-owned legal person	0.43%	1,841,716	1,841,716	0	1,841,716		
SOCIETE GENERALE	Foreign corporate	0.30%	1,265,800	1,024,300	0	1,265,800		
Zhang Yinnan	Domestic natural person	0.28%	1,195,128	1,195,128	0	1,195,128		
Chen Hao	Domestic natural person	0.24%	1,041,143	-24,257	0	1,041,143		
Chen Chu	Domestic natural person	0.24%	1,004,400	508,599	0	1,004,400		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any) (Refer to Note 3)	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 its voting power on behalf at the Company's 2021 1st Extraordinary General Meeting, 2021 2nd Extraordinary General Meeting, 2020 Annual General Meeting, 2021 3rd Extraordinary General Meeting, 2021 4th Extraordinary General Meeting and 2021 5th Extraordinary General Meeting with the number of shares they represented was always 162,977,327. For the detail of the result of the aforesaid voting, refer to the relevant announcement disclosed in http://www.cninfo.com.cn .							
There is a special repurchase account among the top 10 shareholders (if any) (see Note 10) Special note to the designated repurchase	Inapplicable							

account in top 10 shareholders (if any) (Refer to Note 11)			
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
Guoxin Investment Co., Ltd.	7,739,898	CNY ordinary shares	7,739,898
Construction Bank of China - Penghua Huizhi Optimized Hybrid Securities Investment Fund	4,679,494	CNY ordinary shares	4,679,494
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	2,556,742	CNY ordinary shares	2,556,742
Qiu Hong	2,300,000	CNY ordinary shares	2,300,000
China Ifund Asset Management Co., Ltd. - Ifund All-Weather No. 2 Phase G Private Equity Securities Investment Fund	1,841,716	CNY ordinary shares	1,841,716
SOCIETE GENERALE	1,265,800	CNY ordinary shares	1,265,800
Zhang Yinnan	1,195,128	Domestically listed foreign shares	1,195,128
Chen Hao	1,041,143	CNY ordinary shares	1,041,143
Chen Chu	1,004,400	CNY ordinary shares	1,004,400
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders.	Inapplicable		
Note to the top 10 common shareholders involved in margin financing & securities lending (if any) (Refer to Note 4)	Inapplicable		

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

No

2. Controlling Shareholder

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

Type of the controlling shareholder: corporate

Name of the Controlling	Legal Representative	Date of incorporation	Organization Code	Leading business activities
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Shareholder	/Leader			
AVIC International Holding Limited	Li Bin	June 20, 1997	91440300279351229A	Investment in industries (specific projects are subject to application for approval); domestic trade, material supply and distribution (with commodities for exclusive operation, exclusive control and monopoly exclusive); import and export (excluding items prohibited by laws and regulations and the decisions of the State Council; for the above items subject to approval, relevant approval must be obtained prior to operation).
Equity in other domestic and foreign listed companies held by the controlling shareholder by means of control and mutual shareholding in the reporting period.	AVIC International Holdings Limited holds 11.86% equity in Tianma Micro-electronics Co., Ltd. (000050.SZ) and 67.05% equity in Shennan Circuits Company Limited (002916.SZ).			

Change of the controlling shareholder in the reporting period

Inapplicable

3. Actual Controller and its Concerted Parties

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

Type of the actual controller: corporate

Name of the Actual Controller	Legal Representative /Leader	Date of incorporation	Organization Code	Leading business activities
Aviation Industry Corporation of China, Ltd.	Tan Ruisong	November 06, 2008	91110000710935732K	Operating state-owned assets within the scope of authorization of the State Council; military aircraft and engines, guided weapons, military gas turbines, weapons and equipment supporting systems and products research, design, development, testing, production, sales, maintenance, guarantees and services, etc.; investment and management of finance, lease, general aviation services, transportation, medical care, engineering

			<p>survey and design, engineering contracting and construction, real estate development and other industries; design, research, development, testing, production, sales and maintenance services of civil aircraft and engines, airborne equipment and systems, gas turbines, automobiles and motorcycles and engines (including parts and components), refrigeration equipment, electronic products, environmental protection equipment and new energy equipment; equipment leasing; engineering survey and design; project contracting and construction; real estate development and operation; technology transfer and technical services related to the above businesses; import and export business; technical development and sales of ships; engineering equipment technology development; technology development of new energy products.</p> <p>(The company independently chooses operational projects according to law, carries out business activities; the projects must be approved according to the law by the competent authorities before carrying out business activities based on the approved contents; the company must not engage in any business activities prohibited or restricted by the local market industrial policy.)</p>
<p>Equity in other domestic and foreign listed companies controlled by the actual controller in the reporting period.</p>	<p>In addition to holding the Company's equity, AVIC, directly or indirectly, holds or controls the shares of domestic and foreign listed companies: holding 50% equity in AVICOPTER PLC (600038.SH), 48% equity in Jiangxi Hongdu Aviation Industry Co., Ltd. (600316.SH), 66% in China Avionics Systems Co., Ltd. (600372.SH), 69% in AVIC Shenyang Aircraft Company Limited (600760.SH), 55% in AVIC Xi'an Aircraft Industry Group Co., Ltd. (000768.SZ), 38% in AVIC Heavy Machinery Co., Ltd. (600765.SH), 52% in AVIC Electromechanical Systems Co., Ltd., (002013.SZ), 46% in Guizhou Guihang Automotive Components Co., Ltd. (600523.SH), 51% in Sichuan Chengfei Integration Technology Corp. Ltd. (002190.SZ), 40% in AVIC Jonhon Optronic Technology Co.,Ltd. (002179.SZ), 54% in AVIC Electronic Measuring Instruments Company Limited (300114.SZ), 50% in AVIC Industry-finance Holdings Co., Ltd. (600705.SH), 64% in Shennan Circuit Co., Ltd. (002916.SZ), 28% in Tianma Microelectronics Co., Ltd. (000050.SZ), 43% in Rainbow Digital Commercial Co., Ltd. (002419.SZ), 40% in Baosheng Science And Technology Innovation Co., Ltd. (600973.SH), 47% in AVIC Forstar S&t Co., Ltd (835640.BJ), 62% in AVICHINA INDUSTRY & TECHNOLOGY COMPANY LIMITED (2357.HK), 46% in Continental Aerospace Technologies Holding Limited (0232.HK), 65% in Nexteer Automotive Group Limited (1316.HK), 89% in KHD Humboldt Wedag</p>		

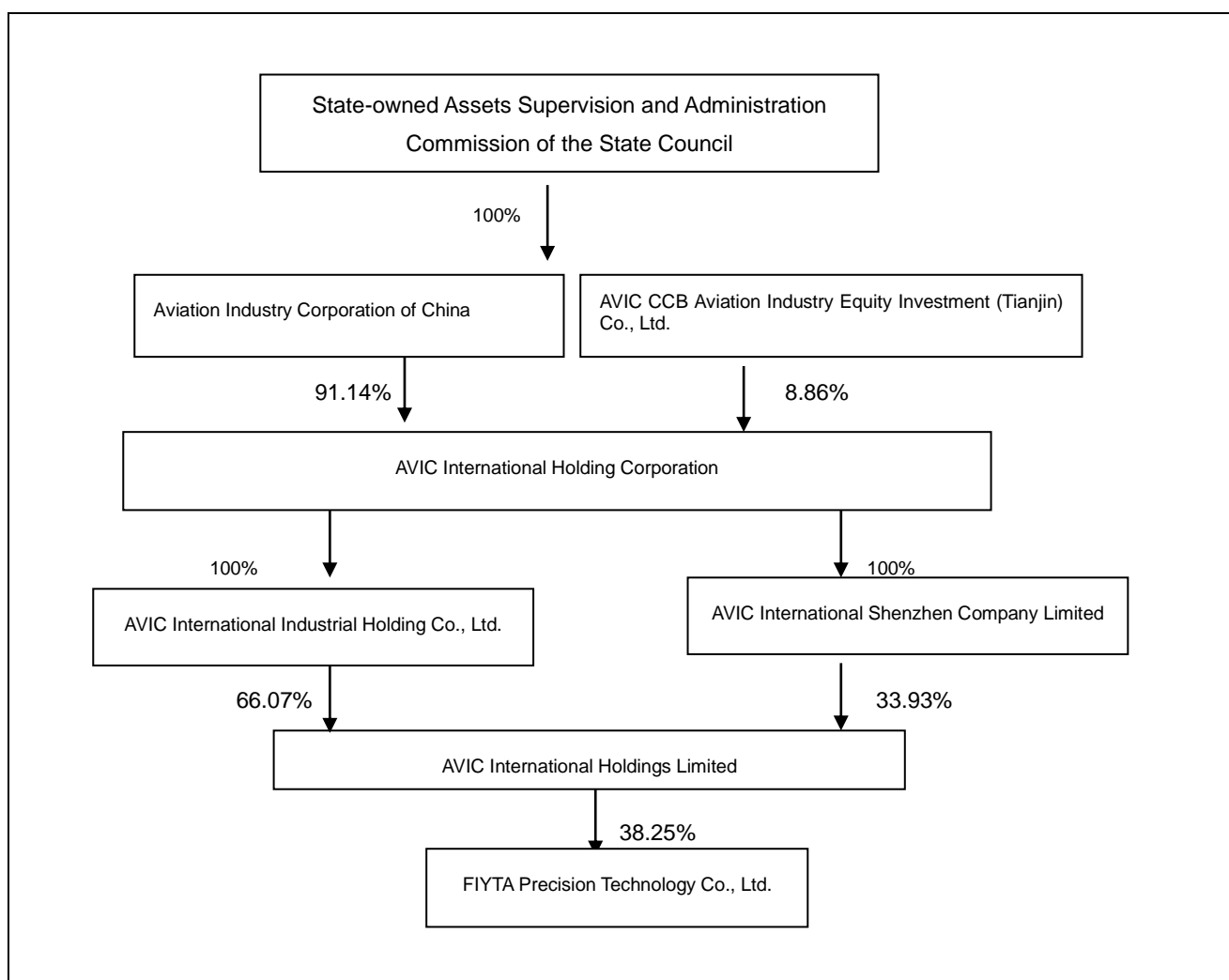
	International AG (KWG:GR), 55% in FACC AG (AT00000F ACC2), 56% in HEFEI JIANGHANG AIRCRAFT EQUIPMENT CO., LTD. (688586.SH), 45% in AVIC Aviation High-Technology Co., Ltd. (600862.SH).
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Note: According to the relevant provisions of Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 1— Prospectus promulgated by the Securities Regulatory Commission, it is believed that the Company's actual controller is traced upstream from AVIC International Holding Corporation to Aviation Industry Corporation of China, Ltd. The number and proportion of shares in the Company controlled by AVIC International Holding Corporation and Aviation Industry Corporation of China, Ltd. remain unchanged.

Change of the actual controller in the reporting period

Inapplicable

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



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

Inapplicable

4. The number of shares pledged by the Company's controlling shareholder or the first major shareholder and its persons acting in concert having accounted for 80% of the shares held by them

Inapplicable

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

Inapplicable

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

Inapplicable

IV. Specific implementation of the repurchase of shares during the reporting period

Progress of implementation of the stock repurchase

Proposal disclosure time	Number of shares to be repurchased	Proportion in the total share capital	Amount for the planned repurchase	Duration for the planned repurchase	Purpose of repurchase	Number of shares already repurchased (shares)	Proportion of the number of shares repurchased in the target shares involved in the equity incentive plan (if any)
July 07, 2020	13.02 million shares to 26.04 million shares	3.04% to 6.08%	No lower than CNY 80 million but not exceeding CNY 160 million	July 23, 2020 to July 22, 2021	Canceled according to the law and the registered capital decreased	8,994,086	
October 27, 2021	7.46 million shares to 14.92 million shares	1.75% to 3.5%	No lower than CNY 50 million but not exceeding CNY 100 million	November 30, 2021 to November 29, 2022	Canceled according to the law and the registered capital decreased	0	

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

Inapplicable

Section 8 About the Preferred Shares

Inapplicable

Section 9 About Bonds

Inapplicable

Independent Auditor's Report

D.H.S.Z.[2022]003511

To the Shareholders of FIYTA Precision Technology Co., Ltd.:

I.Audit Opinion

We have audited the accompanying financial statements of FIYTA Precision Technology Co., Ltd. (herein after "FIYTA Ltd." or the Company) , which comprise the consolidated and the parent company's balance sheet as at 31 December 2021, the consolidated and the parent company's statement of comprehensive income, the consolidated and the parent company's cash flow statements and the consolidated and the parent company's statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflect FIYTA Ltd.'s financial position at 31 December 2021 and the financial performance and cash flows for the year then ended.

II.Basis for Audit Opinion

We conducted our audit in accordance with CICPA Standards on Auditing ("CSAs") . In **'IV. Certified Public Accountant's Responsibilities for the Audit of Financial Statements'** of this report, our responsibilities under these standards are described. Those standards require that we comply with CICPA professional ethical requirements, that we are independent from FIYTA Ltd. and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of for our opinion.

III.Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters that need to be communicated in audit report.

- (I) Existence of inventory and its net realizable value

1. Description

As at 31 December 2021, the book balance, provision for decline in value, and carrying amount of inventory were RMB2,162.56 million, RMB112.41 million and RMB2,050.15 million respectively. The carrying amount of inventory accounts for 49.87% of the total assets of the Company.

(i) As the main business of FIYTA Ltd is selling FIYTA brand watches and other branded watches, the main inventory of FIYTA Ltd are finished watches and watch components. The inventories are distributed in stores, regional warehouses, resellers' warehouses and the Company's warehouses which caused difficulty in inventory physical observation;

(ii) The management of FIYTA Ltd measures inventory at lower of cost and net realizable value (NRV) at balance sheet date. Where the cost of an inventory exceeds its NRV, the difference is recognized as provision for decline in value. The determination of NRV involves significant judgment and estimates by the Management.

Inventory value is significant to the Company's assets and it requires significant judgement by the Management, as a result, we identified existence of inventory and its net realizable value as key audit matters.

2. How our audit addressed the key audit matter

Major audit procedures we have conducted include:

(i) Understanding, evaluating and testing the design and operating effectiveness of internal controls of procurement and payment, production and storage, and the provision for decline in value of inventory;

(ii) Using the work of experts to conduct IT audit to information system and evaluating the authenticity and accuracy of business data which related to financial statements.

(iii) Understanding and evaluating the appropriateness of the Company's policy in provision for decline in value;

(iv) Understanding and inquiring the locations of inventory storage, measurement method of inventory so as to determining the scope of inventory physical observation;

(v) Discussing physical inventory count status with the Management and attending the physical inventory count and conducting observation and test count on site to check the quantity of the inventories and observe their condition.

(vi) Obtaining the ageing report of inventory and taking into consideration of inventory condition in order to perform analytical review on the ageing as well as analyze the reasonableness of provision for decline in value;

(vii) Reviewing and evaluating the appropriateness of significant estimates made by the

Management in determining the NRV of inventory;

(viii) Obtaining the calculation of provision for decline in value of inventory, reviewing whether the provision was made in compliance with relevant accounting policies and performing recalculation of provision. Checking the movements of prior year's provision and analyzing whether the provision was adequately accrued in prior period.

(ix) Tracing samples of large purchases in current period to their corresponding contracts and tax invoices, and inspecting their purchase requisition form and goods receipt notes.

Based on audit work conducted above, we believe that the inventory exists and the measurement is reasonable stated according to the Company's policies.

(II) Revenue recognition

1. Description

In 2021, the Company's income from main business was RMB5,243.73 million. The Company's revenue mainly comes from sales of FIYTA brand watches and distribution of other branded watches. Except for small amount of sales by direct sales and consignment sales of FIYTA brand watches, most of the sales of FIYTA brand watches and other branded watches are sold through shops in department store and on-line shops. Refer to Note IV 31 for accounting policy relating to revenue recognition.

Operating revenue represents major line item in income statement and is main source of profit, the accuracy and completeness of revenue recognition have significant impact to the Company's profit, as a result, we identified revenue recognition as a key audit matter.

2. How our audit addressed the key audit matter

Major audit procedures we have conducted include:

(i) Understanding, evaluating and testing the design and operating effectiveness of internal controls relating to revenue recognition;

(ii) Using the work of experts to conduct IT audit to information system and evaluating the authenticity and accuracy of business data which related to financial statements.

(iii) Obtaining and understanding accounting policies relating to revenue recognition, and reviewing and evaluating whether the point in time of control right transfer, measurement of transaction price and accounting for special transactions are complied with the accounting standards;

(iv) Selecting samples from current year's transaction records, and tracing them to supporting documents such as contract, tax invoice and goods dispatch note (if applicable) and courier waybill (if applicable) ;

(v) In connection with audit of accounts receivable, selecting major customers and confirming corresponding sales in current year and year-end balance;

(vi) Conducting cut-off test to revenue recognized before and after the balance sheet date by selecting samples to check supporting documents such as contract, tax invoice and goods dispatch note (if applicable) and courier waybill (if applicable) to evaluate whether the revenue was recorded in appropriate accounting period;

Based on audit work conducted above, we believe that the Company's revenue recognition is in conformity to its revenue recognition policy.

IV. Other Information

The management of FIYTA Ltd (the "Management") are responsible for the Other Information. The Other Information comprises all of the information included in the Company's annual report other than the financial statements and our auditors' report thereon.

Our opinion expressed on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the Management and those Charged with Governance for the Financial Statements

The Management of the Company is responsible for the preparation of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises and for the design, implementation and maintenance of such internal controls as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative

but to do so.

Those who charged with governance is responsible for overseeing the Company's financial reporting process.

VI. Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

4. Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required, according to China Standards on Auditing, to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within FIYTA Ltd to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

Beijing, China

CICPA:

Long Jiao

CICPA

Wang Dong

8 March 2022

Consolidated Balance Sheet

As at 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is
expressed in RMB)

[English Translation for Reference Only]

Assets	Note VI	Closing Balance	Closing Balance of prior period
Current assets:			
Monetary funds	note 1	210,254,737.14	353,057,285.71
Financial assets held for trading			
Derivative financial assets			
Notes receivable	note 2	61,258,145.80	48,192,442.15
Accounts receivable	note 3	388,885,601.28	475,598,684.88
Accounts receivable financing			
Prepayments	note 4	7,946,750.81	16,612,773.76
Other receivables	note 5	61,553,267.82	52,902,779.63
Inventories	note 6	2,050,148,750.89	1,931,780,185.85
Contract assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	note 7	72,698,692.72	75,935,141.76
Total current assets		2,852,745,946.46	2,954,079,293.74
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	note 8	55,155,605.31	51,400,665.92
Investment in other equity instruments	note 9	85,000.00	85,000.00

Other non-current financial assets			
Investment properties	note 10	383,425,916.35	398,086,447.78
Fixed assets	note 11	349,495,316.65	352,734,280.76
Construction in progress			
Right-of-use assets	note 12	147,932,475.42	
Intangible assets	note 13	34,035,330.43	37,859,316.51
Long-term deferred expenses	note 14	163,790,333.44	130,017,587.99
Deferred tax assets	note 15	81,233,274.65	80,913,800.35
Other non-current assets	note 16	42,680,753.78	13,536,307.13
Total non-current assets		<u>1,257,834,006.03</u>	<u>1,064,633,406.44</u>
Total assets		<u><u>4,110,579,952.49</u></u>	<u><u>4,018,712,700.18</u></u>

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Consolidated Balance Sheet (Continued)

As at 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is
expressed in RMB)

Liability and Equity	Note VI	Closing Balance	Closing Balance of prior period
Current liabilities:			
Short-term borrowings	note 17	265,994,595.43	542,673,278.09
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	note 18	21,223.10	3,581,360.00
Accounts payable	note 19	254,588,895.34	301,211,515.39
Payments received in advance	note 20	11,025,664.72	9,991,850.67
Contract liabilities	note 21	22,505,426.65	18,213,396.49
Employee benefits payable	note 22	145,936,150.06	132,853,462.20
Tax payables	note 23	67,769,880.01	68,925,271.90
Other payables	note 24	167,808,759.95	128,577,597.94
Held-for-sale liabilities			
Current portion of non-current liabilities	note 25	86,949,906.35	370,030.00
Other current liabilities	note 26	2,798,738.32	2,299,755.09
Total current liabilities		1,025,399,239.93	1,208,697,517.77
Non-current liabilities:			
Long-term borrowings	note 27		4,070,330.00
Bonds payable			
Including: Preferred stock			
Including: Perpetual debt			
Lease liabilities	note 28	64,918,722.10	
Long-term payables			
Long-term employee benefits payable			
Provisions			

Deferred income	note 29	1,792,833.90	2,916,346.43
Deferred tax liabilities	note 15	5,236,514.03	3,067,834.55
Other non-current liabilities			
Total non-current liabilities		<u>71,948,070.03</u>	<u>10,054,510.98</u>
Total liabilities		<u>1,097,347,309.96</u>	<u>1,218,752,028.75</u>
Equity:			
Share capital	note 30	426,051,015.00	428,091,881.00
Other equity instruments			
Including: Preferred stock			
Including: Perpetual debt			
Capital reserves	note 31	1,040,908,194.13	1,021,490,387.78
Less: Treasury stock	note 32	60,585,678.92	61,633,530.48
Other comprehensive income	note 33	-7,658,346.40	976,871.41
Special reserves	note 34	1,062,731.13	
Surplus reserve	note 35	275,010,401.50	246,531,866.87
Retained earnings	note 36	1,338,444,326.09	1,164,490,911.51
Equity attributable to parent company		<u>3,013,232,642.53</u>	<u>2,799,948,388.09</u>
Non-controlling interests			<u>12,283.34</u>
Total owners' equity		<u>3,013,232,642.53</u>	<u>2,799,960,671.43</u>
Total liabilities and owners' equity		<u>4,110,579,952.49</u>	<u>4,018,712,700.18</u>

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Parent Company's Balance Sheet

As at 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is expressed in RMB)

Assets	Note XVII	Closing Balance	Closing Balance of prior period
Current assets:			
Monetary funds		171,022,392.92	292,055,169.74
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	note 1	129,880.48	1,464,798.79
Accounts receivable financing			
Prepayments			
Other receivables	note 2	717,183,139.00	621,512,680.69
Inventories			
Contract assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		13,389,835.13	11,655,617.82
Total current assets		901,725,247.53	926,688,267.04
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	note 3	1,542,067,945.03	1,529,415,188.28
Investment in other equity instruments		85,000.00	85,000.00
Other non-current financial assets			

Investment properties	311,379,234.57	323,296,494.84
Fixed assets	222,462,397.20	224,709,747.39
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	23,910,597.39	27,347,950.13
Development expenditure		
Goodwill		
Long-term deferred expenses	9,966,739.10	11,980,697.97
Deferred tax assets	1,671,761.28	1,380,180.94
Other non-current assets	1,435,800.93	473,312.35
Total non-current assets	2,112,979,475.50	2,118,688,571.90
Total assets	3,014,704,723.03	3,045,376,838.94

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Parent Company's Balance Sheet (Continued)

As at 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is
expressed in RMB)

Liability and Equity	Note XVII	Closing Balance	Closing Balance of prior period
Current liabilities:			
Short-term borrowings		250,256,666.67	400,425,930.05
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		1,232,967.42	1,481,135.49
Payments received in advance		11,025,664.72	9,991,850.67
Contract liabilities			37,735.85
Employee benefits payable		24,758,938.89	25,256,531.70
Tax payables		2,676,682.58	2,778,265.84
Other payables		230,594,166.14	240,824,305.37
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			2,264.15
Total current liabilities		520,545,086.42	680,798,019.12
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Including: Perpetual debt			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			

Deferred income	1,792,833.90	2,377,718.35
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	1,792,833.90	2,377,718.35
Total liabilities	522,337,920.32	683,175,737.47
Equity:		
Share capital	426,051,015.00	428,091,881.00
Other equity instruments		
Including: Preferred stock		
Including: Perpetual debt		
Capital reserves	1,045,449,410.67	1,027,145,928.88
Less: Treasury stock	60,585,678.92	61,633,530.48
Other comprehensive income		
Special reserves		
Surplus reserve	275,010,401.50	246,531,866.87
Retained earnings	806,441,654.46	722,064,955.20
Total owners' equity	2,492,366,802.71	2,362,201,101.47
Total liabilities and owners' equity	3,014,704,723.03	3,045,376,838.94

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is expressed in RMB)

Items	Note VI	Current Period	Prior Period
1. Operating revenue	note 37	5,243,733,540.93	4,243,439,952.59
Less: Operating costs	note 37	3,285,656,229.13	2,639,229,537.06
Taxes and surcharges	note 38	37,563,586.80	25,444,139.30
Selling expenses	note 39	1,049,898,223.28	870,713,899.32
Administrative expenses	note 40	261,626,762.41	256,559,127.23
Research and development expenses	note 41	57,802,569.17	51,489,323.49
Finance expenses	note 42	34,677,073.65	33,449,276.41
Including: Interest expenses		23,159,963.74	21,315,119.78
Interest income		3,589,649.85	4,941,334.19
Add: Other income	note 43	21,328,673.21	25,170,397.09
Income from investments	note 44	3,754,939.39	5,072,577.64
Including: Investment income from associates and joint ventures		3,754,939.39	5,072,577.64
Derecognition of financial assets at amortized cost			
Gains or losses from net exposure hedging			
Gains or losses from changes in fair values			
Credit impairment losses	note 45	-11,075,001.77	-9,096,922.74
Impairment losses	note 46	-25,861,394.56	-15,426,526.41
Gains or losses from asset disposals	note 47	730,134.87	-369,857.30
2. Operating profit		505,386,447.63	371,904,318.06
Add: Non-operating income	note 48	627,435.03	3,111,413.64
Less: Non-operating expenses	note 49	3,686,166.55	1,555,112.86

3. Profit before tax		502,327,716.11	373,460,618.84
Less: Income tax	note 50	114,467,375.88	79,338,516.60
4. Net profit		387,860,340.23	294,122,102.24
Including: Net profit realized before business combinations under common control			
I. Net profit classified by going concern			
Net profit from continuing operations		387,860,340.23	294,122,102.24
Net profit from discontinuing operations			
II. Net profit classified by ownership			
Net profit attributable to parent company		387,840,282.95	294,115,156.04
Net profit attributable to non-controlling interests		20,057.28	6,946.20
5. Other comprehensive income after tax		-8,635,217.81	1,916,506.80
Other comprehensive income after tax attributable to parent company		-8,635,217.81	1,917,080.50
I. Items of other comprehensive income that will not be reclassified to profit or loss			
i.	Changes in remeasurement of defined benefit plans		
ii.	Other comprehensive income that cannot be transferred to profit or loss under the equity method		
iii.	Changes in fair value of investments in equity instruments		
iv.	Changes in fair value of the Company's own credit risk		
II. Items of other comprehensive income that will be reclassified to profit or loss		-8,635,217.81	1,917,080.50
i.	Other comprehensive income that can be transferred to profit or loss under the equity method		
ii.	Changes in fair value of other debt investments		
iii.	Amount of financial assets reclassified into other comprehensive income		
iv.	Provisions for credit impairment of other debt investments		
v.	The effective portion of gains or losses arising from cash flow hedging		
vi.	Translation differences arising from financial statements in foreign currencies	-8,635,217.81	1,917,080.50
Other comprehensive income attributable to non-controlling interests after tax			-573.70

6. Total comprehensive income	379,225,122.42	296,038,609.04
Total comprehensive income attributable to parent company	379,205,065.14	296,032,236.54
Total comprehensive income attributable to non-controlling interests	20,057.28	6,372.50
7. Earnings per share		
I. Basic earnings per share	0.90	0.68
II. Diluted earnings per share	0.90	0.68

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Parent Company's Statement of Comprehensive Income

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is
expressed in RMB)

Items	Note XVII	Current Period	Prior Period
1. Operating revenue	note 4	179,455,712.71	137,381,795.95
Less: Operating costs	note 4	38,852,252.32	36,497,097.45
Taxes and surcharges		7,760,628.42	4,435,717.73
Selling expenses		6,483,523.47	1,579,092.51
Administrative expenses		72,514,603.81	76,604,523.40
Research and development expenses		21,461,359.36	19,933,292.70
Finance expenses		3,650,109.37	3,127,102.39
Including: Interest expenses		6,662,862.52	6,230,252.39
Interest income		3,158,156.74	4,609,988.68
Add: Other income		2,603,212.27	9,324,872.59
Income from investments	note 5	263,673,435.95	104,976,828.07
Including: Investment income from associates and joint ventures		3,754,939.39	4,976,828.07
Derecognition of financial assets at amortized cost			
Gains or losses from net exposure hedging			
Gains or losses from changes in fair values			
Credit impairment losses		192,081.60	-158,252.51
Impairment losses			
Gains or losses from asset disposals		-63,188.36	-25,000.50
2. Operating profit		295,138,777.42	109,323,417.42
Add: Non-operating income		41,001.96	259,345.80
Less: Non-operating expenses		216,805.57	15,864.83
3. Profit before tax		294,962,973.81	109,566,898.39

Less: Income tax	7,887,674.19	1,260,031.08
4. Net profit	287,075,299.62	108,306,867.31
Net profit from continuing operations	287,075,299.62	108,306,867.31
Net profit from discontinuing operations		
5. Other comprehensive income after tax		
I. Items of other comprehensive income that will not be reclassified to profit or loss		
i. Changes in remeasurement of defined benefit plans		
ii. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
iii. Changes in fair value of investments in equity instruments		
iv. Changes in fair value of the Company's own credit risk		
II. Items of other comprehensive income that will be reclassified to profit or loss		
i. Other comprehensive income that can be transferred to profit or loss under the equity method		
ii. Changes in fair value of other debt investments		
iii. Amount of financial assets reclassified into other comprehensive income		
iv. Provisions for credit impairment of other debt investments		
v. The effective portion of gains or losses arising from cash flow hedging		
vi. Translation differences arising from financial statements in foreign currencies		
6. Total comprehensive income	287,075,299.62	108,306,867.31

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Consolidated Cash Flows Statement

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is
expressed in RMB)

Items	Note VI	Current Period	Prior Period
1. Cash flows from operating activities			
Cash received from sales and services		5,857,726,359.18	4,602,638,695.31
Tax and surcharge refunds		1,466,381.60	1,849,055.57
Other cash receipts related to operating activities	note 51	85,387,457.56	78,001,812.45
Total cash inflows from operating activities		5,944,580,198.34	4,682,489,563.33
Cash paid for goods and services		3,862,745,653.01	3,046,261,111.48
Cash paid to and for employees		710,102,185.80	578,179,070.15
Taxes and surcharges paid		346,383,502.98	222,180,568.75
Other cash payments related to operating activities	note 51	478,099,748.10	457,658,307.08
Total cash outflows from operating activities		5,397,331,089.89	4,304,279,057.46
Net cash flows from operating activities		547,249,108.45	378,210,505.87
2. Cash flows from investing activities			
Cash received from withdrawal of investments			
Cash received from investment income			
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets		59,657.53	150,556.62
Net proceeds from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Total cash inflows from investing activities		59,657.53	150,556.62
Cash paid for fixed assets, intangible assets and other long-term assets		204,422,787.61	133,531,954.47
Cash paid for investments			

Net cash paid for acquiring subsidiaries and other business units		
Other cash payments related to investing activities		
Total cash outflows from investing activities	204,422,787.61	133,531,954.47
Net cash flows from investing activities	-204,363,130.08	-133,381,397.85
3. Cash flows from financing activities		
Cash received from investments by others	58,216,000.00	
Including: Cash received by subsidiaries from non-controlling investors		
Cash received from borrowings	1,155,724,412.23	743,213,671.65
Other cash receipts related to other financing activities		
Total cash inflows from financing activities	1,213,940,412.23	743,213,671.65
Cash repayments for debts	1,386,708,158.95	768,247,433.10
Cash paid for distribution of dividends and profit and for interest expenses	187,069,913.31	106,703,352.70
Including: Dividends or profit paid by subsidiaries to non-controlling investors		
Other cash payments related to financing activities	note 51	124,710,390.58
Total cash outflows from financing activities	1,698,488,462.84	947,268,455.73
Net cash flows from financing activities	-484,548,050.61	-204,054,784.08
4. Effect of changes in foreign exchange rates on cash and cash equivalents	-1,140,476.33	-2,810,603.32
5. Net increase in cash and cash equivalents	-142,802,548.57	37,963,720.62
Add: Opening balance of cash and cash equivalents	353,057,285.71	315,093,565.09
6. Closing balance of cash and cash equivalents	note 52	210,254,737.14

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tianhui

Parent Company's Cash Flows Statement

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is expressed in RMB)

Items	Note XVII	Current Period	Prior Period
1. Cash flows from operating activities			
Cash received from sales and services		183,608,762.33	178,808,738.19
Tax and surcharge refunds			
Other cash receipts related to operating activities		5,194,227,139.68	4,238,779,521.46
Total cash inflows from operating activities		5,377,835,902.01	4,417,588,259.65
Cash paid for goods and services			
Cash paid to and for employees		68,672,552.40	61,903,446.81
Taxes and surcharges paid		22,768,419.51	9,345,329.15
Other cash payments related to operating activities		5,359,975,023.49	3,948,860,602.89
Total cash outflows from operating activities		5,451,415,995.40	4,020,109,378.85
Net cash flows from operating activities		-73,580,093.39	397,478,880.80
2. Cash flows from investing activities			
Cash received from withdrawal of investments			
Cash received from investment income		259,918,496.56	100,000,000.00
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets		5,740.00	1,630.00
Net proceeds from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Total cash inflows from investing activities		259,924,236.56	100,001,630.00
Cash paid for fixed assets, intangible assets and other long-term assets		21,039,730.26	17,398,218.00

Cash paid for investments		139,500,000.00
Net cash paid for acquiring subsidiaries and other business units		
Other cash payments related to investing activities		
Total cash outflows from investing activities	21,039,730.26	156,898,218.00
Net cash flows from investing activities	238,884,506.30	-56,896,588.00
3. Cash flows from financing activities		
Cash received from investments by others	58,216,000.00	
Cash received from borrowings	1,110,000,000.00	601,000,000.00
Other cash receipts related to other financing activities		
Total cash inflows from financing activities	1,168,216,000.00	601,000,000.00
Cash repayments for debts	1,260,000,000.00	741,000,000.00
Cash paid for distribution of dividends and profit and for interest expenses	185,045,678.32	104,195,155.07
Other cash payments related to financing activities	9,178,101.51	72,317,669.93
Total cash outflows from financing activities	1,454,223,779.83	917,512,825.00
Net cash flows from financing activities	-286,007,779.83	-316,512,825.00
4. Effect of changes in foreign exchange rates on cash and cash equivalents	-329,409.90	-1,112,644.08
5. Net increase in cash and cash equivalents	-121,032,776.82	22,956,823.72
Add: Opening balance of cash and cash equivalents	292,055,169.74	269,098,346.02
6. Closing balance of cash and cash equivalents	171,022,392.92	292,055,169.74

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tianhui

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is expressed in RMB)

Items	Current Period							Non-controlling interests	Total shareholders' equity
	Equity attributable to parent company								
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings		
1. Closing balance of last 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	12,283.34	2,799,960,671.43
Add: Increase/decrease due to changes in accounting policies							-11,188,268.01		-11,188,268.01
Increase/decrease due to corrections of errors in prior period									
Business combination under common control									
Others									
2. Opening balance of current year	428,091,881.00	1,021,490,387.78	61,633,530.48	976,871.41		246,531,866.87	1,153,302,643.50	12,283.34	2,788,772,403.42
3. Increase/decrease for current year	-2,040,866.00	19,417,806.35	-1,047,851.56	-8,635,217.81	1,062,731.13	28,478,534.63	185,141,682.59	-12,283.34	224,460,239.11
I. Total comprehensive income				-8,635,217.81			387,840,282.95	20,057.28	379,225,122.42
II. Owner's contributions to and withdrawals of capital	-2,040,866.00	19,417,806.35	-1,047,851.56					-32,340.62	18,392,451.29
i. Common stock contributed/paid-in capital by shareholders/owners	-8,994,086.00	-41,132,596.76	-45,368,941.80						-4,757,740.96
ii. Capital contributed by other equity instruments holders									
iii. Share-based payments to owners' equity	6,953,220.00	60,553,780.11	44,321,090.24						23,185,909.87
iv. Others		-3,377.00						-32,340.62	-35,717.62
III. Profits distribution						28,478,534.63	-202,698,600.36		-174,220,065.73
i. Appropriation of surplus reserve						28,478,534.63	-28,478,534.63		

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Items	Prior Period							Non-control ling interests	Total shareholders' equity
	Equity attributable to parent company								
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensiv e income	Specia l reserv es	Surplus reserves	Retained earnings		
1. Closing balance of last year	442,968,881.0 0	1,081,230,215.3 2	71,267,118.7 8	-940,209.09		235,701,180 .14	966,840,818. 40	5,910.84	2,654,539.67 7.83
Add: Increase/decrease due to changes in accounting policies									
Increase/decrease due to corrections of errors in prior period									
Business combination under common control									
Others									
2. Opening balance of current year	442,968,881.0 0	1,081,230,215.3 2	71,267,118.7 8	-940,209.09		235,701,180 .14	966,840,818. 40	5,910.84	2,654,539.67 7.83
3. Increase/decrease for current year	-14,877,000.0 0	-59,739,827.54	-9,633,588.3 0	1,917,080.50		10,830,686. 73	197,650,093. 11	6,372.50	145,420,993. 60
I. Total comprehensive income				1,917,080.50			294,115,156. 04	6,372.50	296,038,609. 04
II. Owner's contributions to and withdrawals of capital	-14,877,000.0 0	-59,739,827.54	-9,633,588.3 0						-64,983,239.2 4
i. Common stock contributed/paid-in capital by shareholders/owners	-14,877,000.0 0	-65,264,104.92	-8,802,188.3 0						-71,338,916.6 2
ii. Capital contributed by other equity instruments holders									
iii. Share-based payments to owners' equity		5,570,601.49	-831,400.00						6,402,001.49
iv. Others		-46,324.11							-46,324.11
III. Profits distribution						10,830,686. 73	-96,465,062.9 3		-85,634,376.2 0
i. Appropriation of surplus reserve						10,830,686. 73	-10,830,686.7 3		-85,634,376.2 0
ii. Distribution to owners							-85,634,376.2 0		-85,634,376.2 0
iii. Others									

- IV. Transfers within owners' equity
- i. Capital reserves transferred to paid-in capital
 - ii. Surplus reserve transferred to paid-in capital
 - iii. Use of surplus reserve to cover previous losses
 - iv. Changes in remeasurement of defined benefit plans transferred to retained earnings
 - v. Other comprehensive income transferred to retained earnings
 - vi. Others

V. Special reserves

- i. Appropriated during current year
- ii. Used during current year

VI. Others

4. Closing balance of current year	<u>428,091,881.0</u> 0	<u>1,021,490,387.7</u> 8	<u>61,633,530.4</u> 8	<u>976,871.41</u>	<u>246,531,866</u> .87	<u>1,164,490,91</u> 1.51	<u>12,283.34</u>	<u>2,799,960.67</u> 1.43
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(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Officer (CFO): Song Yaoming

Finance

Financial Manager: Tian Hui

Parent Company's Statement of Changes in Equity

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is expressed in RMB)

Items	Current Period							Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	
1. Closing balance of last year	428,091,881.00	1,027,145.9 28.88	61,633.53 0.48			246,531.8 66.87	722,064,955. 20	2,362,201,101.47
Add: Increase/decrease due to changes in accounting policies								
Increase/decrease due to corrections of errors in prior period								
Others								
2. Opening balance of current year	428,091,881.00	1,027,145.9 28.88	61,633.53 0.48			246,531.8 66.87	722,064,955. 20	2,362,201,101.47
3. Increase/decrease for current year	-2,040,866.00	18,303,481. 79	-1,047,851 .56			28,478.53 4.63	84,376,699.2 6	130,165,701.24
I. Total comprehensive income							287,075,299. 62	287,075,299.62
II. Owner's contributions to and withdrawals of capital	-2,040,866.00	18,303,481. 79	-1,047,851 .56					17,310,467.35
i. Common stock contributed/paid-in capital by shareholders/owners	-8,994,086.00	-41,132,596 .76	-45,368.94 1.80					-4,757,740.96
ii. Capital contributed by other equity instruments holders								
iii. Share-based payments to owners' equity	6,953,220.00	59,439,455. 55	44,321.09 0.24					22,071,585.31
iv. Others		-3,377.00						-3,377.00
III. Profits distribution						28,478.53 4.63	-202,698,600 .36	-174,220,065.73
i. Appropriation of surplus reserve						28,478.53 4.63	-28,478,534. 63	
ii. Distribution to owners							-174,220,065 .73	-174,220,065.73
iii. Others								
IV. Transfers within owners' equity								

i. Capital reserves transferred to paid-in capital								
ii. Surplus reserve transferred to paid-in capital								
iii. Use of surplus reserve to cover previous losses								
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings								
v. Other comprehensive income transferred to retained earnings								
vi. Others								
V. Special reserves								
i. Appropriated during current year								
ii. Used during current year								
VI. Others								
4. Closing balance of current year	426,051,015.00	1,045,449,410.67	60,585,678.92			275,010,401.50	806,441,654.46	2,492,366,802.71

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Parent Company's Statement of Changes in Equity

For the year ended 31 December 2021

Prepared by: FIYTA Precision Technology Co., Ltd.

(Unless otherwise indicated, the currency is expressed in RMB)

Items	Prior Period							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
1. Closing balance of last year	442,968,881.00	1,086,885,756.42	71,267,118.78			235,701,180.14	710,223,150.82	1,961,542,968.60
Add: Increase/decrease due to changes in accounting policies								
Increase/decrease due to corrections of errors in prior period								
Others								
2. Opening balance of current 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
3. Increase/decrease for current year	-14,877,000.00	-59,739,827.54	-9,633,588.30			10,830,686.73	11,841,804.38	-42,310,748.13
I. Total comprehensive income							108,306,867.31	108,306,867.31
II. Owner's contributions to and withdrawals of capital	-14,877,000.00	-59,739,827.54	-9,633,588.30					-64,983,239.24
i. Common stock contributed/paid-in capital by shareholders/owners	-14,877,000.00	-65,264,104.92	-8,802,188.30					-71,338,916.62
ii. Capital contributed by other equity instruments holders								
iii. Share-based payments to owners' equity		5,570,601.49	-831,400.00					6,402,001.49
iv. Others		-46,324.11						-46,324.11
III. Profits distribution						10,830,686.73	-96,465,062.93	-85,634,376.20
i. Appropriation of surplus reserve						10,830,686.73	-10,830,686.73	
ii. Distribution to owners							-85,634,376.20	-85,634,376.20
iii. Others								
IV. Transfers within owners' equity								

i. Capital reserves transferred to paid-in capital								
ii. Surplus reserve transferred to paid-in capital								
iii. Use of surplus reserve to cover previous losses								
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings								
v. Other comprehensive income transferred to retained earnings								
vi. Others								
V. Special reserves								
i. Appropriated during current year								
ii. Used during current year								
VI. Others								
4. Closing balance of current year	428,091,881.00	1,027,145,928.88	61,633,530.48			246,531,866.87	722,064,955.20	2,362,201,101.47

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

FIYTA Precision Technology Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2021

I. Company status

1. Registered place, organization and address of headquarters

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

As at 31 December 2021, the outstanding shares issued by the Company was 426.05 million shares and the registered capital was RMB426.05 million after a series of share dividend, right offering, share capital conversion from retained earnings, and issuing of new shares. The Company’s registered address is FIYTA Hi-Tech Building, Gao Xin Nan Yi Dao, Nanshan District, Shenzhen, Guangdong Province, where the Company’s headquarters locates. The parent company of the Company is CATIC Shenzhen Holdings Limited (CATIC Shenzhen) and the ultimate controlling party of the Company is Aviation Industry Corporation of China, Ltd. (AVIC) .

2. Nature of the Company’s business and main operating activities

The business nature and main operating activities of the Company and its subsidiaries mainly include: producing and selling of analogue indication mechanical watches, quartz watches and its movements, components, various timing devices, processing and wholesaling karat gold jewelry watches, intelligent watches; domestic commercial and material supply and distributing business (excluding goods under exclusive operational rights, special control and exclusive sales) ; property management and leasing; providing design service; research, design, production, sales and technical support for precise watches and components; import and export business (according to Shen Mao Guan Deng Zheng Zi No.2007-072) .

3. Authorization for issue

The financial statements have been approved and authorized for issue by the Board of Directors on 8 March 2022.

II. Scope of consolidation

There were 13 subsidiaries that are included in the Company’s scope of consolidation for year 2021, see Note VIII for details. Comparing to prior year, the entities that were included in the consolidation increased by 2 and decreased by 1. The Changes include:

1. Subsidiaries that were newly included in the consolidation

Name	Reasons for change
Harmony World Watch Center (Hainan) Co., Ltd.	Incorporated by investment
Shenzhen Xunhang Precision Technology Co., Ltd.	Incorporated by investment

2. Subsidiary that was excluded out of the consolidation

Name	Reasons for change
Station 68 Ltd.	Deregistered on 5 March 2021

III. Basis of preparation

1. Basis of preparation

The financial statement is prepared in accordance with the requirements of Accounting Standards for Business Enterprises and associated application guidance, illustrations to the standards and related pronouncements (collectively known as “Accounting Standards for Business Enterprises” or “CAS”) . These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosure of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” (revised in 2014) issued by China Securities Regulatory Commission (CSRC) .

2. Going concern

The Company assesses the going concern ability to the extent of 12 month after the balance sheet date. No issues that would result in significant doubt about the Company’s going concern is noted. As a result, the financial statements of the Company have been prepared on going concern basis.

3. Basis and principles of accounting

Accrual basis is adopted for the Group’s accounting activity. Except for some financial instruments, the financial statements are measured using historical cost. In case of impairment occurred on assets, provisions for impairment are provided for in accordance with related regulations.

IV. Significant accounting policies and accounting estimates

1. Highlight to specific accounting policies and estimates

(1) The Company make specific accounting policies and estimates according to its nature of business. Accounting policies and estimates mainly includes: method of estimated credit loss accrual (Note IV. 12, Note IV. 13 and Note IV. 14) , measurement of inventory (Note IV. 15) , depreciation of investment property and fixed asset and amortization of intangible asset (Note IV. 18, Note IV. 19 and Note IV. 23) , revenue (Note IV, 31) etc.

(2) Based on historical experience and other factors including reasonable estimation to future events, the Company continues to evaluate significant accounting estimates and key assumptions. If material changes to following accounting estimate and key assumption incurred, material impact would happened to the carrying value of the Company’s assets and liabilities in coming accounting year.

1) Measurement of Expected Credit Loss of accounts receivable and other receivables

The management estimates impairment loss provision to accounts receivable and other receivables based on the judgments to estimated credit loss of accounts receivable and other receivables. If any events occurred that indicated the Company may not be able to recover the balance amount, estimation is needed in provision accrual. If the expected number is different with the estimated figure, the difference will affect the carrying value of accounts receivable and other receivables and the impairment loss expenses in corresponding accounting period.

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

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

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

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

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

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

(d) Corporate income tax. The final tax treatment of many transaction and events are with uncertainty in the normal course of operation. Significant judgments involves in accrual of corporate income tax. If

there is difference between the final discretion and the amount recorded in books, the difference will affect the amount of tax in the period of final discretion.

2. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises. These financial statements present truly and completely the financial position as at 31 December 2021, the results of operations and the cash flows for the year then ended of the Company.

3. Accounting period

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

4. Operating cycle

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

5. Recording currency

The Company and its domestic subsidiaries adopt Renminbi ("RMB") as the recording currency. FIYTA (Hong Kong) Limited ("FIYTA Hong Kong"), a subsidiary of the Company outside mainland China, and Station 68 Limited ("Station 68"), a subsidiary of FIYTA Hong Kong, use Hong Kong Dollar ("HKD") as the recording currency according to the main economic environment where the companies operated in. Montres Chouriet SA, a subsidiary of FIYTA Hong Kong ("Swiss Company"), uses Swiss Franc as the recording currency according to the main economic environment where the Swiss Company operated in. The recording currencies mentioned above will be translated to Renminbi when preparing financial statements. The currency used in preparing the Group's financial statements is Renminbi.

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

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

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

(2) Business combination involving entities under common control

For a business combination involving enterprises under common control, the assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date, except for adjustments due to different accounting policies. The difference between the carrying amount of the net assets acquired and

the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

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

If business combinations involving entities under common control achieved in stages that involves multiple transactions belongs to one-basket transaction, all transactions shall be dealt with as one transaction. If not, the accounting treatment is as follows: Initial investment cost is the acquirer's share of the carrying amount of the net assets of the acquiree in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the sum of carrying amount of investment prior to combination date and carrying amount of new considerations paid for the combination at the combination date is adjusted to capital reserve (share premium) . If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. The difference between the carrying amount of the net assets acquired and the sum of carrying amount of investment prior to combination date and carrying amount of new considerations paid for the combination at the combination date is adjusted to capital reserve (share premium) . If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. The profit or loss, other comprehensive income and changes in other owner's equity recognized by the acquirer during the period from the later of initial investment date and the date that the acquirer and acquiree both under common ultimate control to the combination date are offset the opening retained earnings or profit for loss for the current period in the comparative statements.

(3) Business combinations involving entities not under common control

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

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

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

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

If business combinations involving entities not under common control achieved in stages that involves multiple transactions belong to one-basket transaction, all the transactions shall be treated as one. Otherwise, it shall be treated as follows: In the separate financial statements, the initial investment cost is the sum of the carrying amount of equity investment of the acquiree held prior to the acquisition date and additional investment cost at the acquisition date. When the previously-held equity investment which was accounted for under the e Accounting treatment for business combinations involving entities under common control and not under common control equity method before the acquisition date, any other comprehensive income previously recognized is not adjusted on acquisition date. When the investment is disposed of in later date, the amount that was recognized in other comprehensive income is recognized on the same basis as would be required if the investee had disposed directly of the related assets or liabilities. The owners' equity recognized as the changes of the investee's other owners' equity except for net profit or loss, other comprehensive income and profit distribution, are transferred to profit or loss for the current period when disposing the investment. When the previously-held equity investment which was measured at fair value before the acquisition date, the accumulated changes in fair value included in other comprehensive income is transferred to profit or loss for the current period upon commencement of the cost method.

(4) Transaction costs for business combination

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

7. Consolidated financial statements

(1) Scope of consolidation

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

(2) Procedures of consolidation

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

All subsidiaries that are included in the scope of consolidation adopt same accounting policies, and

accounting period. If there are differences, the subsidiaries shall adjust its policies and accounting period accordingly.

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

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

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

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

1) Addition of subsidiaries or business operation

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

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

In the reporting period, if there is subsidiary or business addition involving entities not under common control, no adjustments shall be made to the consolidated balance sheet. The revenue, expenses and

profit from the purchasing date to period end shall be included in consolidated income statement. The cash flows from the purchasing date to period end shall be included in consolidated cash flow statement.

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

2) Disposal subsidiary or business

a) General principal

In the reporting period, if the Company dispose of subsidiary or business, the subsidiary's revenue, expenses, profit and cash flows from the beginning of the period to the disposal date shall be included in consolidated financial statements.

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

2) Disposal of subsidiary through multiple steps

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

- a) the transactions were entered into at the same time or by considering each other's influence;
- b) a complete business result can only be achieved by combining all these transactions together;
- c) the performing of one transaction is depended on at least one other transaction;

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

If the disposal was categorized as one-basket transaction, the Company dealt with all transactions as one transaction that resulted in lost control over subsidiary. But, before losing control, the difference between disposal consideration and the portion of net asset of the disposal part shall be recognized in other comprehensive income each time of disposal and charged to income statement in whole in the period loss control.

If the disposal does not belong to one-basket transaction, the accounting treatment before lost control shall be in accordance with policies of disposal equity but not losing control. At the time control lost, deal with as normal subsidiary disposal.

3) Acquiring non-controlling interests of subsidiary

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling

shareholders, the book value of shareholder's equity attributed to the Company and to the non-controlling interest is adjusted to reflect the change in the Company's interest in the subsidiaries. The difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve in the consolidated balance sheet, with any excess adjusted to retained earnings.

8. Joint arrangement classification and accounting treatment for joint operation

(1) Classification

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

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

- 1) The legal form of an joint arrangement showed that the joint parties enjoyed rights over related assets and undertake liability respectively;
- 2) The contract showed that the joint parties enjoyed rights over related assets and undertake liability respectively;
- 3) Other facts and situation indicated that the joint parties enjoyed rights over related assets and undertake liability respectively;

(2) Accounting treatment to joint operation

The Company recognizes the following items relating to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- 1) its solely-held assets, and its share of any assets held jointly;
- 2) its solely-assumed liabilities, and its share of any liabilities assumed jointly;
- 3) its revenue from the sale of its share of the output arising from the joint operation;
- 4) its share of the revenue from the sale of the output by the joint operation; and
- 5) its solely-incurred expenses, and its share of any expenses incurred jointly.

The Company contribute or disposal of assets (except that asset constitute business) . Before these assets are sold to third party, the Company only recognizes the portion of profit or losses that attributes to the other party. If the assets incurred impairment, the Company recognizes losses in full.

For the assets purchased from joint operation (except that constitutes business) , before it is sold to third party, only the portion that attributable to the other parties. If assets incurred impairment, the Company recognizes losses based on its share.

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

9. Cash and cash equivalents

When preparing cash flow statement, the Company recognizes cash in hand and bank deposit that

available for payment as cash. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

10. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences between the spot exchange rate on balance sheet date and the spot exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss.

(2) Translation of foreign currency financial statements

When translating the foreign currency financial statements of overseas subsidiaries, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding "retained earnings", are translated to Renminbi at the spot exchange rates at the transaction dates.

When disposing overseas operations, foreign translation difference that related to the overseas business shall be charged to current period profit or losses from other comprehensive income. If the disposal resulted in decrease in shareholding but still maintain control, the translation difference will be included in non-controlling interest. If the disposal related to associate entity or joint venture entities, the translation difference will be included in current period profit or loss.

11. Financial instruments

The Company recognizes financial assets or financial liabilities when the Company become a party of the financial instruments.

Effective interest rate method refer to calculating the amortized cost of financial assets or liabilities and amortizes interest income or expenses into corresponding accounting period accordingly.

Effective interest rate refers to the interest that is used to discount the estimated future cash flows of existing financial assets or financial liabilities to its amortized cost. When determining the effective interest rate, the cash flow is estimated taking consideration of all contractual terms of financial assets or financial liabilities but does not including estimated credit loss.

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

(1) Recognition and derecognition of financial instruments

Financial assets are classified into the following three categories depends on the Company's

business mode of managing financial assets and cash flow characteristics of financial assets

- 1) Financial assets measured at amortized cost
- 2) Financial assets at fair value through other comprehensive income
- 3) Financial assets at fair value through profit or loss

Financial assets are measured at fair value at initial recognition. But it is recognized using trading price for accounts receivable or notes receivable arose from sale of goods or providing of service that does not including material financing component or does not consider financing component within one year.

For financial assets at fair value through profit or loss, the related transaction costs are directly recognized through profit or loss, and the related transaction costs of other types of financial assets are included in the initial recognition amounts.

Only when the Company changes its business model of managing financial assets, all the financial assets affected shall be reclassified on the first day of the first reporting period after the business model changes.

- 1) Financial assets measured at amortized cost

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets at fair value through profit or loss as financial assets measured at amortized cost: The Company's business model for managing the financial assets is to collect contractual cash flows; The terms of the financial asset contract stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal. Financial assets measured at amortized cost of the Company includes cash and bank balances, notes receivable, accounts receivables and other receivables.

After initial recognition, the effective interest rate method is used to measure the amortized cost of such financial assets. Profits or losses arising from financial assets measured at amortized costs and not part of any hedging relationship are included in current profit or loss when the recognition is terminated, amortized or impaired according to the effective interest rate.

a) for financial assets that already impaired when it is acquired, the Company determines its interest income using adjusted effective interest rate based on its amortized cost.

b) for financial assets that does not impaired when it is acquired but impaired latterly, the Company determines its interest income using adjusted effective interest rate based on its amortized cost. If there is no credit impairment in later period due to changes to risk factors, the Company uses effective interest rate times of carrying amount of the financial asset to determine interest income.

- 2) Financial assets at fair value through other comprehensive income

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets measured at fair value and whose changes are recorded in current profit or loss as financial assets measured at fair value through other comprehensive income: The Group's business model for managing the financial assets is both to collect contractual cash flows and to sell the

financial assets, and the terms of the financial asset contract stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal.

After initial recognition, financial assets are subsequently measured at fair value. Interest, impairment losses or gains and exchange gains calculated by the effective interest rate method are recognized in profit or loss, while other gains or losses are recognized in other comprehensive income. When derecognized, the accumulated gains or losses previously recognized in other comprehensive income are transferred from other comprehensive income and recorded in current profit or loss.

3) Financial assets designated as fair value through other comprehensive income

At initial recognition, the Company may designate non-trading equity instrument investments as financial assets at fair value through other comprehensive income, presented as other equity instrument investment, and recognize dividend income when the conditions are met (the designation cannot be revoked once it is made) .

The fair value changes of this kind of financial asset shall be included in other comprehensive income and no impairment provision is needed. When de-recognizing the financial asset, accumulated gain or loss in other comprehensive income shall be transferred out of other comprehensive income and charged to retained earnings. During the investing period when the Company holds equity instruments, the Company recognizes dividends in current period profit or loss when the right of receiving dividends is confirmed and the associated economic benefit is probable to flow into the Company and that the amount can be measured reliably. The Company treated this kind of financial instrument under other equity investment.

The designated equity instrument investment does not belong to the following: the purpose of obtaining the financial asset is mainly for the recent sale; it is part of the identifiable financial asset instrument combination under centralized management at initial recognition, and there is objective evidence that the short-term gain actually exists in the near future; it is a derivative (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments) .

4) Financial assets at fair value through profit or loss

The financial assets other than financial assets measured at amortized cost and financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

After initial recognition, the financial assets are subsequently measured at fair value, and the profits or losses generated from which are recognized in profit or loss.

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

5) Financial assets designated at fair value through profit or loss.

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the financial assets can be designated as financial assets at fair value through profit or loss.

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

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

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

After initial recognition, the financial assets are subsequently measured at fair value, and the profits or losses generated from which are recognized in profit or loss.

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

(2) Classification and measurement of financial liabilities

The Company categorizes financial liabilities into financial liabilities and equity instrument based on the contract terms and economical nature rather than solely on its legal form. Financial liabilities initially recognized as financial liabilities at fair value through profit or loss, other financial liabilities and derivative instrument designated as effective hedging instrument.

The financial liabilities of the Company are initially measured at fair value. The related transaction costs of financial liabilities at fair value through profit or loss are directly recognized in profit or loss. The related transaction costs of other categories of financial liabilities are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on its category:

1) Financial liabilities at fair value through profit or loss

This category includes financial liabilities held for trade (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss.

At initial recognition, in order to provide more relevant accounting information, the Company classifies financial liabilities that meet one of the following conditions as financial liabilities at fair value through profit or loss (the designation cannot be revoked once it is made) : the aim of undertaking related financial liabilities is to sell or repurchase in the short run; it is part of identifiable financial instruments and there is objective evidence indicated that the enterprise adopts short-term profitability mode; belong to derivative instrument except for derivative instrument designated as effective hedging instrument and financial guarantee contract. Financial liabilities held for trade are measured at fair value subsequently and all fair value changes except for hedging accounting shall be included in current period profit or loss.

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

a) accounting mismatches can be eliminated or significantly reduced.

b) management and performance evaluation of financial liability portfolios or combinations of financial assets and financial liabilities based on fair value according to corporate risk management or investment strategies as stated in formal written documents, and report to key management personnel on this basis.

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

2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost:

a) Financial liabilities at fair value through profit or loss.

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

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

Financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss are initially recognized at fair value. Subsequent to initial recognition, the subsequent measurement is determined according to the higher loss allowance of contingent liabilities under expected credit loss model and the initial recognition amount deducting by the accumulated amortization.

(3) Derecognition of financial instruments

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

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

b) The financial asset has been transferred, and the transfer meets the requirements of the "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets" regarding derecognition of financial assets.

2) Conditions of derecognition of financial liabilities

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

When the Company and the lender sign an agreement to replace the original financial liability with a new financial liability, and the new financial liability is substantially different from the original financial liability, the original financial liability is derecognized and a new financial liability is recognized. The

difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss

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

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

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

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

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

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

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

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

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

1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following is included in the current profit or loss

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

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

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset will continue to be recognized and the consideration received is recognized as a financial liability

(5) Method for determining the fair value of financial assets and financial liabilities

The fair value of financial assets or financial liabilities with active market is determined by active market quotations; active market quotations include quotations that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory authorities for related assets or liabilities, and represent actual and frequently occurring market transactions on a fair trade basis. The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of the market transaction price. The fair value of financial assets or financial liabilities without active market is determined using valuation techniques. In valuation, the Company adopts valuation techniques that are applicable under current circumstances and that are supported by adequate available data and other information, selects inputs with consistent asset or liability characteristics considered by market participants in trading related asset or liability, and uses relevant observable inputs where possible. Unobservable inputs are used where the relevant observable inputs are not available or are impracticable.

(6) Provision for impairment of financial assets

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

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, and the present value of all cash shortages. For financial assets that have been purchased or generated with credit impairment, loss provision is recognized only for the cumulative changes in lifetime expected credit losses after the initial recognition on the balance sheet date.

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

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

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

expected credit loss and its changes based on the following circumstances:

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

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

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

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

If the Company recognized credit loss provision in prior accounting period in terms of life-time credit loss, but on current period balance sheet date, the associated financial asset does not belong to the situation of risk increased after the initial recognition, the Company shall accrue credit loss provision for this financial asset based on the next 12 month expected credit loss. Difference arose from above changes shall be included in current period profit or loss as impairment gain.

1) Assessment of significant increase of credit risk

By comparing the default risk of financial instruments on balance sheet day with that on initial recognition day, the Company determines the relative change of default risk of financial instruments during the expected life of financial instruments, to evaluate whether the credit risk of financial instruments has increased significantly since the initial recognition.

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

- a) Whether there is serious deterioration of the debtor's operating results that have occurred or are expected to occur;
- b) Changes in the existing or anticipated technological, market, economic or legal environment will have a significant negative impact on the debtor's repayment capacity.

- c) Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected to occur;
- d) Whether the expected performance and repayment of debtor changes significantly.
- e) Whether the Company changed the way of managing financial assets.

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

2) Provision for impairment of financial assets

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence that credit impairment has occurred in a financial asset includes the following observable information:

- a) significant financial difficulties of the issuer or debtor;
- b) the debtor breaches the contract, such as failure to pay or delay in the payment of interest or principal;
- c) the creditor gives the debtor a concession which would not have been made under any other circumstances for economic or contractual considerations relating to the financial difficulties of the debtor;
- d) the debtor is likely to go bankrupt or carry out other financial restructurings;
- e) the financial difficulties of the issuer or the debtor cause the active market of the financial asset to disappear;
- f) purchase or source a financial asset at a substantial discount that reflects the fact that credit losses have occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable event

Determining expected credit loss (ECL)

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

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

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

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

flows receivable from the contract and all cash flows expected to be received by the Company.

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

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

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

3) Write off

If the Company no longer reasonably expects that the financial assets contract cash flow can be recovered fully or partially, the financial assets book balance will be reduced directly. Such reduction constitutes the derecognition of the financial assets.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if all of the following conditions are met, the net amount offset by each other is presented in the balance sheet:

1) The Company has a statutory right to offset the recognized amount, and such legal right is currently enforceable;

2) The Company plans to settle in net amount or to realize the financial assets and settle the financial liabilities at the same time.

12. Bill receivables

Refer to Note XI. 6 Financial instrument impairment for details of ECL determination and accounting method to bill receivable.

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

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

Portfolio	Basis	method
Risk-free banker's acceptance note	The issuer has higher level of credit rating and no default in past and has strong ability to fulfil its contractual cash follow obligation	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Business acceptance note	Bill receivables with same aging have similar credit risk characteristics	Based on aging analysis

13. Accounts receivables

Refer to Note XI. 6 Financial instrument impairment for details of ECL determination and accounting method to accounts receivable.

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

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

Portfolio	Basis	method
Receivables for related parties in scope of consolidation	Account receivables for related parties in scope of consolidation have similar credit risk characteristics	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Accounts receivables from other parties	Account receivables with same aging have similar credit risk characteristics	Based on aging analysis

14. Other receivables

Refer to Note XI. 6 Financial instrument impairment for details of ECL determination and accounting method to other receivables.

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

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

Portfolio	Basis	method
Receivables of down payment and guarantee	The portfolio has similar credit risk characteristics	Based on aging and ECL rate
Petty cash for employees	The portfolio has similar credit risk characteristics	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Social security payment paid on-behalf of employees	The portfolio has similar credit risk characteristics	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Receivables from related parties within scope of consolidation	The portfolio has similar credit risk characteristics	Referencing historical impairment experience and taking into consideration of current situation and estimation of future conditions
Others	The portfolio has similar credit risk characteristics	Based on aging and ECL rate

15. Inventory

(1) Classification

Inventory refers to the finished products or commodities that the Company holds for sale in its daily activities, semi-products in the production process, materials and consumables used in the production

process or the provision of labour services. Inventories include raw materials, work in progress, and finished goods.

(2) Valuation method of inventory

When inventory is acquired, it is initially measured at cost, including procurement costs, processing costs and other costs. When the inventory is issued, it is measured by the weighted average method (except for branded watches) and specific identification method (for branded watches) .

(3) Basis for determining the net realizable value and method for provision for obsolete inventories

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

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

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

(4) Inventory count system

The Company maintains a perpetual inventory system.

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

Low-value consumables and packaging materials are charged to profit or loss when they are used.

16. Contract assets

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

Refer to Note XI 6 for impairment to contract asset.

17. Long-term Equity Investment

(1) Determination of investment cost

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

2) Long-term equity investment obtained by other means

The initial investment cost of the long-term equity investment obtained by cash payment is the actual purchase price. The initial investment cost includes expenses directly related to the acquisition of long-term equity investments, taxes and other necessary expenses

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

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

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

(2) Subsequent measurement and profit and loss recognition

1) Cost method

The long-term equity investment that the Company can control over the investee is accounted for using the cost method, and the cost of the long-term equity investment is adjusted by adding or recovering the investment according to the initial investment cost. Except for the actual payment or the cash dividends or profits included in the consideration that have been announced but not yet paid at the time of acquiring the investment, the Company recognizes the current investment income according to its share of cash dividends or profits declared to be distributed by the investee.

2) Equity method

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method, and some of the equity investments in associates that are indirectly held by venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds are measured at fair value through profit or loss. When the initial investment cost of a long-term equity investment is greater than the investment, the initial investment cost of the long-term equity investment shall not be adjusted by the difference between the fair value of the identifiable net

assets of the investee; if the initial investment cost is less than the investment, the difference between the fair value of the identifiable net assets of the investee should be included in the current profit or loss

After obtaining the long-term equity investment, the Company shall recognize the investment income and other comprehensive income according to the share of net profit and loss and other comprehensive income realized by the investee that is entitled or should be shared respectively, and adjust the carrying amount of the long-term equity investment; and reduces the carrying amount of the long-term equity investment based on portion of the profit or cash dividend declared to be distributed by the investee; and for other changes in the owners' equity other than the net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of the long-term equity investment is adjusted and included in the owners' equity.

When recognizing the share of the net profit or loss of the investee, the Company shall adjust and recognize the net profit of the investee based on the fair value of the identifiable assets of the investee at the time of obtaining the investment. The unrealized internal transaction gains and losses between the Company and the associates and joint ventures shall be offset against the portion attributable to the Company in accordance with the proportion to be enjoyed, on the basis of which the investment gains and losses are recognized.

When the Company recognizes the losses incurred by the investee that it should bear, it shall deal with it in the following order: Firstly, offset the carrying amount of the long-term equity investment. Secondly, if the carrying amount of the long-term equity investment is not enough to be offset, the investment loss will continue to be recognized to the extent of carrying amount of other long-term equity that virtually constitutes a net investment in the investee, and the carrying amount of the long-term receivables is offset. Finally, after the above-mentioned treatment, if the enterprise still bears additional obligations in accordance with the investment contract or agreement, the projected liabilities are recognized according to the estimated obligations and included in the current investment losses. If the investee realizes profit in the future period, after deducting the unrecognized loss share, and the reduction of book balance of the recognized projected liabilities and recovery of other long-term equity that virtually constitutes a net investment in the investee and carrying amount of long-term equity investment as opposite to the order above, the Company shall restore the investment income.

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

1) Fair value measurement to equity method accounting

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

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

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

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

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

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

3) Equity method accounting to fair value measurement

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

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

4) Cost method to equity method

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

5) Cost method to fair value measurement

Where the Company loses control over the investee due to the disposal of part of the equity investment, etc., in the preparation of individual financial statements, if the remaining equity after disposal cannot jointly control or exert significant influence on the investee, the relevant provisions of the

“Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” are adopted. The difference between the fair value and the carrying amount on the date of loss of control is recognized in profit or loss for the current period.

(4) Disposal of long-term equity investment

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

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

- 1) The transactions are made simultaneously or with consideration of each other’s influence;
- 2) The transactions as a whole can achieve a complete business outcome;
- 3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- 4) A transaction is uneconomic alone, but it is economic when considered together with other transactions

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

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

b) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, capital reserve (share premium) is adjusted for the difference between the disposal price and the share of the net assets corresponding to the disposed long-term equity investment that the subsidiary has continuously calculated from the date of purchase or the merger date; if the capital reserve is insufficient to offset, the retained earnings will be adjusted; when the control of the subsidiary is lost, the remaining equity shall be re-measured according to its fair value on the date of loss of control. The sum of the consideration for the disposal of the equity and the fair value of the remaining equity, less the share of the net assets that that the original subsidiary has continuously calculated from the date of purchase

calculated based on the original shareholding, is included in the investment income for the period of loss of control, while reducing goodwill. Other comprehensive income related to the original subsidiary's equity investment will be converted into current investment income when control is lost.

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

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

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

(5) Judging criteria for joint control and significant influence

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

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

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

18. Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation,

and leased buildings. Besides, for empty constructions that the Company held for rent lately but with the written resolution from the board stated that it will be used as operating lease and that intention will not be changed in short-term, it can be treated as investment property.

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

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

Category	Estimated useful life (years)	Residual value rate %	Depreciation rate %
Property	20-35	5.00	4.80-2.70

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

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

19. Fixed assets

(1) Recognition conditions of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing goods, providing labour services, renting or operating management, and having a useful life of more than one fiscal year. Fixed assets are recognized when they meet all of the following conditions:

- 1) the economic benefits associated with the fixed assets are likely to flow into the enterprise;
- 2) the cost of the fixed assets can be reliably measured.

(2) Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

1) The cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the assets before they reach their intended usable state.

2) The cost of self-built fixed assets is determined by the necessary expenditures incurred before the assets reach their expected usable state.

3) For fixed assets invested by investors, the value agreed in the investment contract or agreement is regarded as the book value, but the value agreed in the contract or agreement is not accounted for at fair value.

4) If the payment for the purchase of fixed assets is delayed beyond the normal credit conditions, and is of a financing nature in essence, the cost of fixed assets is determined on the basis of the present value of the purchase price. The difference between the actual payment and the present value of the purchase price is recorded in the current profit or loss during the credit period, except where it should be capitalized.

(3) Subsequent measurement and disposal of fixed assets

1) Depreciation of fixed assets

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

The Company determines the service life and estimated net residual value of fixed assets based on the nature and use of fixed assets. At the end of the year, the service life, the estimated net residual value and the depreciation method of the fixed assets are reviewed. If there is a difference from the original estimate, corresponding adjustments will be made.

The depreciation method, depreciation period and annual depreciation rate of various fixed assets are as follows.

Class	Method of depreciation	Estimated useful life (years)	Residual value rate %	Depreciation rate %
Property and plant	Straight-line	20-35	5.00	4.80-2.70
Machinery and equipment	Straight-line	10	5.00-10.00	9.50-9.00
Electronic equipment	Straight-line	5	5.00	19.00
Motor vehicles	Straight-line	5	5.00	19.00
Others	Straight-line	5	5.00	19.00

2) Subsequent expenditures on fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for recognition of fixed assets are included in the cost of fixed assets; those that do not meet the conditions for recognition of fixed assets are included in the current profit or loss when they occur.

3) Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from its use or disposal, the fixed asset is derecognized. The amount of disposal income from sale, transfer, retirement or damage of the fixed asset after deducting its book value and related taxes is included into the current profit or loss.

20. Construction in Progress

(1) Initial measurement of construction in progress

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

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

The total expenditure incurred before the construction in progress project is constructed to reach the intended usable condition shall be recorded as the book value of the fixed assets. For the construction in progress built which has reached the intended usable condition, but has not yet completed the final accounts, since the date of reaching expected use condition, according to the project budget, cost or actual project costs, it shall be converted into fixed assets at the estimated value, and fixed assets shall be depreciated in accordance with the depreciation policy of the Company for fixed assets. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

21. Borrowing Costs

(1) Recognition principle for capitalization of borrowing costs

If the borrowing costs of the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall start capitalization and be included in the cost of relevant assets in the case of eligible for capitalization; other borrowing costs shall be recognized as expenses at the time of occurrence and shall be included in the current profit or loss.

Assets that are eligible for capitalization are assets that require a long period of time to purchase or produce activities to achieve fixed assets, investment property and inventory that are available for intended use or sale.

Borrowing costs begin to capitalize when all of the following conditions are met:

- 1) Assets expenditure has occurred, including expenditure incurred in the form of cash payment, transfer of non-cash assets or assuming of interest-bearing debt for the acquisition and construction or production of assets eligible for capitalization;
- 2) Borrowing costs have already occurred;
- 3) The purchase and construction or production activities necessary for the assets to reach the intended use or saleable status have started.

(2) Capitalization period of borrowing costs

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

The borrowing costs shall cease to be capitalized when the assets acquired or produced that meet the conditions for capitalization are ready for intended use or sale.

When a part of the assets purchased or produced that meet the capitalization conditions are

completed and can be used alone, such part of the assets shall stop capitalization of borrowing costs.

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

(3) Suspension of capitalization period

If the assets that meet the capitalization conditions are interrupted abnormally during the construction or production process and the interruption time lasts for more than 3 months, the capitalization of borrowing costs shall be suspended; the borrowing costs shall continue to be capitalized if the acquisition or production of assets eligible for capitalization is necessary to meet the required usable status or the availability of sales. The borrowing costs incurred during the interruption are recognized as profit or loss for the current period and the borrowing costs continue to be capitalized until the acquisition or production of assets is resumed.

(4) Calculation for capitalization amount of borrowing costs

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

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

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

22. Right-of-use Assets

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

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

After the beginning of the lease term, the Company adopts the cost model for subsequent measurement of the right-of-use assets

If it is reasonably certain to obtain the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the remaining useful life of the leased

assets. If it is not reasonably certain to obtain the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the shorter of the lease term and the remaining useful life of the leased assets. For the right-of-use assets with impairment provision, depreciation shall be calculated based on the book value after deduction of impairment provision in accordance with the above principles in future periods.

23. Intangible Assets and Development Expenditure

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

(1) Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the assets to expected usage. If payment for the purchase price of intangible assets is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible assets is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, its initial measurement cost includes the fair value of the waived creditor's rights and taxes and other costs directly attributable to bringing the asset to expected usage. The difference between the fair value of the waived creditor's rights and the carrying amount shall be recognized in profit or loss for the period.

The book value of intangible asset received in exchange for non-monetary asset is based on the fair value of the asset surrendered and relevant taxes payable, provided that the exchange of non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and relevant taxes payable, and no profit or loss is recognized.

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

The cost of an internally developed intangible asset includes the materials consumed in developing the intangible asset, labour costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

(2) Subsequent measurement of intangible assets

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

1) Intangible assets with a limited useful life

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

Item	Estimated useful life	Amortization method
Land use right	50	Straight-line
Software systems	5	Straight-line
Right to use the trademark	5-10	Straight-line

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

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

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

Research stage: a stage of scheduled innovative investigations and research activities for the acquisition and understanding of new scientific or technical knowledge.

Development stage: before the commercial production or use, the research results or other knowledge will be applied to a plan or design to produce new or substantial improvements in materials, devices, products and other activities.

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

(4) Specific standard for capitalization of expenditure in the development stage

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

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

Expenditures incurred in the development stage that do not meet the above conditions shall be included in the current profit or loss at the time of occurrence. The development expenditures which have been included in the profit or loss in the previous periods will not be recognized as an asset in the future

period. The capitalized expenditures in the development phase are shown in the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

24. Impairment on Long-term Assets

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

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

The measurement results of recoverable amount show that when the recoverable amount of an long-term asset is lower than its book value, the book value of the long-term asset is reduced to its recoverable amount. The reduced amount is recognized as an impairment loss on the asset and included in the current profit or loss, at the same time, asset impairment provision will be made accordingly. Asset impairment loss shall not be reversed during the subsequent accounting period once recognized.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impaired assets will be adjusted accordingly in the future period, so that the assets' book value after adjustment (deducting the estimated net residual value) will be systematically apportioned over the remaining useful life of the assets.

No matter whether there is any sign of impairment or not, the impairment test is carried out every year for goodwill and intangible assets with an indefinite useful life arising from an enterprise merger.

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

25. Long-term Deferred Expenses

(1) Amortization method

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

Long-term deferred expenses are amortized in benefit period

(2) Amortization period

Category	Amortization period	Note
Counter fabrication expenses	2-3	
Decoration expenses	3-5	
Others	2-3	

26. Contract liabilities

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

27. Employee Remuneration

Employee remuneration refers to the various forms of remuneration or compensation given by the Company to obtain the services provided by the employees or to terminate the labour relationship. Employee remuneration includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-term remuneration

Short-term remuneration refers to the employee compensation other than post-employment benefits and termination benefits required to be fully paid by the Company within 12 months after the end of the annual reporting period in which the employees render relevant services. During the accounting period in which the employees render services, the Company recognizes the short-term remuneration payable as liabilities and includes the same in related asset costs or expenses according to the object which benefits from the services rendered by employees.

(2) Post-employment benefits

Post-employment benefits refer to various forms of remuneration and benefits other than short-term remuneration and termination benefits provided by the Company after the retirement of employees or termination of labour relationship with the Company in exchange for the services rendered by employees.

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

Defined contribution plan of the post-employment benefits mainly refers to the social basic endowment insurance, unemployment insurance, etc. organized and implemented by local labour and social security institutions; in addition to social basic endowment insurance and unemployment insurance, employees who retire after 1 January 2009 can voluntarily participate in the Company's enterprise annuity plan. During the accounting period when employees render services to the Company, amount payable calculated by the defined contribution plan is recognized as a liability and included in the current profit or loss or related asset costs.

The Company will no longer have any other payment obligations after making the above-mentioned payments on a regular basis in accordance with the standards and annuity plans prescribed by the State.

(3) Termination benefits

Termination benefits refer to the compensation paid to an employee when the Company terminates

the employment relationship with the employee before the expiry of the employment contract or provides compensation as an offer to encourage the employee to accept voluntary redundancy. The Company recognizes the liabilities arising from the compensation paid to terminate the employment relationship with employees and includes the same in the current profit or loss at the earlier date of the following: 1) when the Company cannot reverse the termination benefits due to the plan of cancelling the labour relationship or the termination benefits provided by the advice of reducing staff; and 2) the Company recognizes the cost or expense relative to the payment of termination benefits of restructuring into the current profit or loss.

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

(4) Other long-term employee benefits

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

28. Projected liabilities

(1) Basis for recognition of projected liabilities

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

This obligation is a present obligation assumed by the Company;

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

Company;

The amount of this obligation can be measured reliably.

(2) Measurement method of projected liabilities

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

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

The best estimate is determined in different situations as follow:

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

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

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

29. Lease liabilities

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

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

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

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

30. Share-based payment

(1) Category of share-based payment

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

(2) Recognition method of fair value of equity instrument

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

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

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

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

(4) Accounting treatment

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of equity instruments at the grant date with an increase in capital reserve accordingly. For those exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognize the services received in the current period in related costs or expenses and capital reserves at the fair value of equity instruments on the grant date based on the best

estimate of the number of exercisable equity instruments. After the vesting period, relevant costs or expenses and total owners' equity which have been recognized will not be adjusted.

Cash-settled share-based payments are calculated by the fair value of liabilities assumed in accordance with the Company's shares or other equity instruments. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of the liabilities assumed by the Company at the grant date with an increase in liabilities accordingly. For cash-settled share-based payments exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognize the services received in the current period in costs or expenses and corresponding liabilities at the amount of fair value of the liabilities assumed by the Company based on the best estimate of the number of exercisable equity instruments. At each balance sheet date and the settlement date prior to the settlement of relevant liabilities, the fair value of the liabilities is re-measured through profit or loss.

During the vesting period, if the equity instruments granted are cancelled, the Company will treat the cancelled equity instruments granted as accelerated vesting, and the amount within the remaining period should be recognized immediately in profit or loss while recognizing the capital reverse. If employees or other parties can meet non-vesting conditions but do not meet within the vesting period, the Company will treat it as cancelled equity instruments granted.

31. Revenue

The Company's revenue mainly come from:

- (1) Sales of watch
- (2) Precision manufacturing
- (3) Property leasing

(1) General principal of revenue recognition

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

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

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

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

with an alternative use to it and the Company has a right to payment for performance completed to date throughout the contract term. Otherwise, the Company recognizes revenue at the point of time.

For performance obligation satisfied over time, the Company recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognizes revenue only to the extent of the amount of costs incurred until it can reasonably measure the outcome of the performance obligation

(2) Detailed method for revenue recognition

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

1) Sales of watch

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

① Online sales

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

② Offline sales

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

③ Consignment sale

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

④ Sale of consigned goods from others

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

2) Precision manufacturing

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

3) Property leasing

Refer to Note IV 35. (4) for details.

(3) Revenue treatment principles for specific transactions

1) Contracts with sales return provisions

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

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

2) Contracts with quality assurance provisions

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

32. Contract costs

(1) Contract performance cost

The Company recognizes the cost of contract performance as an asset for the cost of performing the contract as meeting all of the following conditions:

1) The cost is directly related to a current or expected contract, including direct labour, direct materials, manufacturing expenses (or similar expenses) , costs clearly to be borne by the customer, and other costs incurred solely for the contract;

2) This cost increases the resources that the company will use to fulfill its performance obligations in the future.

3) The cost is expected to be recovered

The asset will be presented under inventory or other non-current assets based on the length of its amortization period.

(2) Contract obtainment cost

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset. Incremental cost refers to the cost that the Company will not occur without obtaining a contract, such as sales commission. For the amortization period not exceeding one year, it is included in the current profit or loss when it occurs.

(3) Amortization of contract costs The Company recognizes the contract performance cost and the contract acquisition cost on the same basis as the commodity income related to the contract cost asset, and amortizes it at the time when the performance obligation is performed or in accordance with the performance of the performance obligation, and is included in the current profit or loss.

(4) Contract cost impairment For assets related to contract costs, if the book value is higher than the

difference between the remaining consideration expected to be received by the Company for transfer of the goods related to the assets and the estimated cost of transferring the relevant goods, the excess should be depreciated and confirmed as an asset impairment loss

If the factors caused impairment changed after impairment provision is accrued, impairment provision shall be reversed and included in current period profit or loss but the carrying amount of asset after the reversal shall not exceed the carrying amount at the reversal date as if there was no impair.

33. Government Subsidies

1. Classification

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

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

2. Recognition of government subsidies

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

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be reliably obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognized in the current profit or loss directly.

3. Accounting treatment

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

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

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

Government subsidies related to daily activities of enterprises are included in other income;

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

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

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

34. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when it is expected to recover such assets or settle such liabilities.

(1) Criteria for recognition of deferred income tax assets

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

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

(2) Criteria for recognition of deferred income tax liabilities

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

- 1) temporary difference arising from the initial recognition of goodwill;
- 2) a transaction or event arising from non-business combination, and neither the accounting profit or the taxable income (or deductible losses) will be affected when the transaction or event occurs;
- 3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for

reversal of the temporary difference can be controlled and the temporary difference is probably not reversed in a foreseeable future

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

1) An enterprise has the statutory right to settle the current income tax assets and current income tax liabilities at their net amounts;

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

35. Lease

On the commencement date of the contract, the Company evaluates whether the contract is a lease or contains a lease. If one party to a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

(1) Splitting a lease contract

When the contract contains a number of separate leases, the Company will split the contract into separate leases for accounting individually.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the lease standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for business enterprises

(2) Combination of lease contracts

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall merge them into one contract for accounting:

1) Such two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.

2) The amount of consideration for a contract in such two or more contracts depends on the pricing or performance of other contracts.

3) The right-of-use assets transferred by such two or more contracts together constitute a separate lease

(3) Accounting treatment for the Company as a lessee

On the commencement date of lease term, the Company recognizes right-of-use assets and lease

liabilities for leases, in addition to short-term leases and low-value asset leases with simplified treatment

(1) Short-term lease and low value lease

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset is a new asset

The Company does not recognize right-of-use assets and lease liabilities for short-term lease and low value lease. The payment of such leases shall be charged to profit or loss using straight-line method or other systematic method.

(2) Refer to Note IV. 22 and Note IV. 29 for accounting policies for right-of-use assets and lease liabilities.

(4) Accounting treatment for the Company as a lessor

1) Classification of leases

The Company divides leases into financial leases and operating leases on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all of the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operating leases refer to leases other than financial leases.

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

1) At the expiry of the lease term, the ownership of the leased assets is transferred to the lessee.

2) The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.

3) Although the ownership of the assets is not transferred, the lease term accounts for the majority of the life of the leased assets.

4) On the commencement date of the lease, the present value of the lease receipts is almost equal to the fair value of the leased assets.

5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them

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

1) If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.

2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.

3) The lessee can continue to lease far below the market level for the next period.

(2) Accounting treatment for financial leases

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

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

- 1) Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;
- 2) Variable lease payments depending on an index or rate;
- 3) In the case of reasonably determining that the lessee will exercise the purchase option, the lease receipts include the exercise price of purchase option;
- 4) If the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipts include the amount to be paid by the lessee in exercising the option to terminate the lease;
- 5) Guarantee residual value provided to the lessor by the lessee, the party concerned with the lessee and an independent third party with financial capacity to fulfill the guarantee obligation

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

(3) Accounting treatment for operating leases

The Company adopts the straight line method or other systematic and reasonable method to recognize the lease receipts from operating leases as rental income during each period of the lease term. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease term, and shall be recorded in the profit or loss of the current period. Variable lease payments obtained in connection with operating leases that are not incorporated in the lease receipts shall be incorporated in the profit or loss of the period when they actually occur.

36. Termination of business

The Company recognizes components as termination of business components if one of the following condition is met and that the component has already been disposed or classified as held-for-sale assets and identifiable.

- (1) The component represents a stand along major business or a stand along major area in conducting business.
- (2) The component is part of plan connecting to disposal of a stand along major business or major area of conducting business.
- (3) The component is a subsidiary that obtained specifically for resale.

Operating profit or loss such as the impairment loss and the amount of reversal shall be presented in income statement as profit or loss from terminated business.

37. Re-purchase of shares

Before written-off or transfer, the shares that the Company re-purchased are dealt as treasury shares. All expenses incurred for the re-purchase are charged in the cost of treasury shares. Consideration and transaction expenses paid during the share re-purchase shall decrease shareholder's equity. No gain or losses shall be recognized during re-purchase, transfer or written-off of the Company's shares.

If the treasury shares is transferred, the difference between amount actually received and the share's carrying amount shall be charged to capital reserve, if the capital reserve is not sufficient to offset, surplus reserve and retained earnings shall be offset. If the treasury share is to written-off, the share capital shall be decreased based on the face value of shares and the difference between the carrying amount and its face value shall offset the capital reserve. If the capital reserve is not sufficient to offset, deducting surplus reserve and retained earnings.

38. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Details of and reasons for the changes in accounting policies	Approval process	Note
Accounting Standards for Business Enterprises No. 21 – Leases	Approved by the 27 th meeting of the 9 th Session of the Board	

Other explanations:

Impact on the Company from the adoption of the new lease standard

The Company adopts Accounting Standards for Business Enterprises No. 21 – Leases from 1 January 2021. Refer to Note IV for details of revised accounting policies.

For a contract which has existed before the initial execution date, the Company does not re-evaluate whether it is a lease or contains a lease at the initial execution date, and does not adopt the accounting policies below for the contract which is not identified as containing a lease under the original lease standards before the initial execution date, and adopts the accounting policies below only for the contract which is identified as a lease under the original lease standards before the initial execution date and the contract whose commencement date is later than the initial execution date

Under the new lease standard, the Company choose to adjust the balance of retained earnings and other related items in the financial statements at the beginning of the year of initial adoption of such standard (1 January 2021) based on the cumulative effect of initial adoption of such standard, with no adjustment to the information for the comparable period.

Upon adoption of the new lease standard, related items in the balance sheet as of 1 January 2021 are affected as follows:

Item	31 December 2020	Cumulated affect (note)	1 January 2021
Other current assets	75,935,141.76	-8,078,503.09	67,856,638.67
Right-of-use assets		163,169,400.44	163,169,400.44

Item	31 December 2020	Cumulated affect (note)	1 January 2021
Total assets	4,018,712,700.18	155,090,897.35	4,173,803,597.53
Non-current liabilities due within one year	370,030.00	88,839,586.06	89,209,616.06
Lease liabilities		77,439,579.30	77,439,579.30
Total liabilities	1,218,752,028.75	166,279,165.36	1,385,031,194.11
Undistributed profit	1,164,490,911.51	-11,188,268.01	1,153,302,643.50
Total shareholders' equity	2,799,960,671.43	-11,188,268.01	2,788,772,403.42

Note: Only financial statement items that affected are list in above table, as a result, the figure of subtotal and total cannot be calculated based on figures list above.

1) Weighted average incremental loan interest rate for adopted by the Company:

On 1 January 2021, The Company recognized lease liability of RMB166,279,165.36 and right-of-use asset of 163,169,400.44. For operating lease on the adoption date, the Company used the discounted value based on incremental loan interest rate to measure lease liabilities. The weighted average incremental loan interest rate is 4.40%.

a) Difference of present value of minimum lease payment disclosed at the end of prior period and present value of lease liabilities on the first adoption date:

The difference of lease liability recognized on 1 January 2021 and material lease commitment disclosed in 2020 financial statement is as follows:

Item	1 January 2021	Note
1. Operating lease commitment as at 31 December 2020	<u>138,864,123.57</u>	
Lease liability discounted using incremental loan interest on the adoption date	<u>122,851,148.71</u>	
Plus: option to renew	<u>44,798,990.43</u>	
Less: exemption – short-term lease	<u>1,370,973.78</u>	
Lease liability recognized related to previous operating lease	<u>166,279,165.36</u>	
2. Lease liabilities at 1 January 2021	<u>166,279,165.36</u>	
Including: current liabilities	<u>88,839,586.06</u>	
Non-current liabilities	<u>77,439,579.30</u>	

(2) Changes in accounting estimates

There were no changes in significant accounting estimates during the reporting period.

V. Taxes

1. Main types of taxes and corresponding tax rates

Tax type	Basis	Tax rate	note
VAT	Domestic sales, providing manufacturing and repairing services	13%	
	Property leasing	9%	
	Other taxable services	6%	
	Simplified method	5%	

Tax type	Basis	Tax rate	note
Consumption tax	Luxury watches	20%	
Urban maintenance and construction tax	Turnover tax payable	7%、5%	
Corporate income tax	Taxable income	See below table	
Property tax	70% or 80% of the original cost of property or rental income	1.2%、12%	

Corporate income tax of different entities:

Name of entities	CIT rate
Shenzhen HARMONY World Watch Center Co., Ltd.(①)	25%
FIYTA Sales Co., Ltd.(①)	25%
Shenzhen FIYTA Precision Technology Co., Ltd.(②③)	15%
Shenzhen FIYTA Technology Development Co., Ltd.(②③)	15%
HARMONY World Watch Center(Hainan) Co., Ltd.(⑥)	20%
Shenzhen Xunhang Precision Technology Co., Ltd.	25%
Emile Choureit Timing (Shenzhen) Ltd.	25%
Liaoning Hengdarui Commercial & Trade Co., Ltd.	25%
EMPORAL (Shenzhen) Co., Ltd.	25%
Shenzhen Harmony E-commerce Co., Ltd.(⑥)	20%
FIYTA (Hong Kong) Ltd.(④)	16.5%
Montres Chouriet SA(⑤)	30%
Station 68(④)	16.5%

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

Note ②: According to “Notice of the Ministry of Finance, the State Administration of Taxation and Ministry of Science on Further Perfection of the Pre-tax Super Deduction Ratio of Research and Development Expenses” (Cai Shui (2021) No. 13), if the research and development costs, which were incurred for developing new technologies, new products, and new processes by the Company, the Precision Technology Company and the Technology Company, are not capitalized as intangible assets but charged to current profit or loss, all of these entities can enjoy a 100% super deduction on top of the

R&D expenses that allowed to deduct before income tax since 1 January 2021.

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

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

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

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

2. Preferential treatment and corresponding approval

According to “Proclamation of Ministry of Finance and State Administration of Taxation in Implementing Preferential Tax Rate to Small and Low Profit Enterprises and Sole-proprietors” (Caishui (2021) No.12) and “Notice of Ministry of Finance and State Administration of Taxation on Implementation of the Inclusive Income Tax Deduction and Exemption Policies for Small Low-Profit Enterprises” (Cai Shui (2019) No.13) , the portion of annual taxable income of small low-profit enterprise that is below RMB1,000,000.00 will be included in taxable income at 12.5% and to be taxed at a rate of 20%; and for annual taxable income that is greater than RMB1,000,000.00 but not exceeding RMB3,000,000.00, of which 50% will be included in taxable income and to be taxed at 20%.

According to “Notice of Ministry of Finance and State Administration of Taxation in Extending Expiration Period of Utilizing Losses for High-Tech Enterprises and Scientific Oriented Medium and Small Enterprises” (Cai Shui [2018] No. 76) , unutilized losses incurred in prior 5 years before obtaining the status of High and New Tech Enterprise can be carried forward and utilized in future years. The longest period was extended from 5 years to 10 years.

VI. Notes to main items of the consolidated financial statements

(Unless otherwise indicated, the currency unit is Renminbi Yuan and the opening balance refers to the balance as at 1 January 2021)

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	108,612.08	183,759.72
Cash at bank	188,908,798.10	346,055,209.29
Other monetary funds	21,237,326.96	6,818,316.70
Total	210,254,737.14	353,057,285.71
Including: Total overseas deposits	1,724,651.93	3,412,028.94
Including: deposit in finance company	147,786,041.19	283,532,347.79

Deposit in finance company mainly deposited with AVIC Finance Co., Ltd.

As at 31 December 2021, the Company does not have balance of cash or other monetary funds that are restricted because being pledged as security, guaranteed or blocked frozen or overseas balances

that have restriction on remittance back to the home country.

Cash with restricted usage is as follows:

Item	Closing balance	Opening balance
Overseas deposit with restrictions remitting back	1,724,651.93	3,412,028.94

Note 2. Bill receivable

1. Presented by category

Item	Closing balance	Opening balance
Bank acceptance bills	2,989,331.70	16,813,464.36
Commercial acceptance bills	58,268,814.10	31,378,977.79
Total	61,258,145.80	48,192,442.15

2. Presented by ECL types

Type	Closing balance				Book value
	Carrying amount		Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on single basis	64,324,925.49	100.00	3,066,779.69	4.77	61,258,145.80
Including: Commercial acceptance bills	61,335,593.79	95.35	3,066,779.69	5.00	58,268,814.10
Risk-free Bank acceptance bills	2,989,331.70	4.65			2,989,331.70
Total	64,324,925.49	100.00	3,066,779.69	4.77	61,258,145.80

Continued

Type	Opening balance				Book value
	Carrying amount		Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on single basis	49,843,967.32	100.00	1,651,525.17	3.31	48,192,442.15
Including: Commercial acceptance bills	33,030,502.96	66.27	1,651,525.17	5.00	31,378,977.79
Risk-free Bank acceptance bills	16,813,464.36	33.73	-	-	16,813,464.36
Total	49,843,967.32	100.00	1,651,525.17	3.31	48,192,442.15

3. Notes receivable with expected credit loss provided based on credit risk characteristic portfolio

Portfolio	Closing balance		
	Carrying amount	Provision	Percentage (%)
Bank acceptance bills	61,335,593.79	3,066,779.69	5.00
Commercial acceptance bills	2,989,331.70		
Total	64,324,925.49	3,066,779.69	4.77

4. Bad debt movements in current period

Types	Opening balance	Movements				Closing balance
		Accrual	Received or reversal	Written-off	Other changes	
Notes receivable that provided expected credit losses on single basis						
Notes receivable that provided expected credit losses on single basis	1,651,525.17	1,415,254.52				3,066,779.69
Including: Commercial acceptance bills	1,651,525.17	1,415,254.52				3,066,779.69
Risk-free Bank acceptance bills						
Total	1,651,525.17	1,415,254.52				3,066,779.69

5. Bills have been endorsed but not yet due at the end of the period.

Item	Amount de-recognized	Amount not de-recognized
Bank acceptance bills	3,064,791.21	
Commercial acceptance bills		15,737,928.76
Total	3,064,791.21	15,737,928.76

6. Bill receivable that transferred to receivables due to issuer's default at the end of the period

Item	Amount transferred to accounts receivable
Commercial acceptance bills	918,150.83

Note 3. Accounts receivable

1. Presentation by aging

Aging	Closing balance	Opening balance
Within 1 year	411,327,173.23	489,913,393.98
1-2 years	4,211,418.24	10,509,894.86
2-3 years	7,582,641.50	6,142,706.69
Over 3 years	8,867,120.13	2,882,615.92
Subtotal	431,988,353.10	509,448,611.45
Less: provision for bad debt	43,102,751.82	33,849,926.57
Total	388,885,601.28	475,598,684.88

2. Presentation by method of providing bad debt

Category	Closing balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis	41,742,982.67	9.66	32,056,051.67	76.79	9,686,931.00
Accounts receivable that provided expected credit losses on portfolio basis`	390,245,370.43	90.34	11,046,700.15	2.83	379,198,670.28
Including: Receivable from other customers	390,245,370.43	90.34	11,046,700.15	2.83	379,198,670.28
Total	431,988,353.10	100.00	43,102,751.82	9.98	388,885,601.28

Continued

Category	Opening balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis	21,208,447.13	4.16	19,133,975.43	90.22	2,074,471.70
Accounts receivable that provided expected credit losses on portfolio basis`	488,240,164.32	95.84	14,715,951.14	3.01	473,524,213.18
Including: Receivable from other customers	488,240,164.32	95.84	14,715,951.14	3.01	473,524,213.18
Total	509,448,611.45	100.00	33,849,926.57	6.64	475,598,684.88

3. Accounts receivable that provided expected credit losses on single basis included in the closing balance

Name	Closing balance			Reasons
	Carrying amount	Bad debt provision	ECL rate (%)	
Receivable from other customers	41,742,982.67	32,056,051.67	76.79	Chances of recovery is remote

4. In the portfolio, accounts receivable with expected credit loss provided based on credit risk characteristic portfolio

Portfolio of receivable from other customers

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	388,921,400.94	10,135,084.14	2.61
1-2 years	215,868.25	21,586.83	10.00
2-3 years	439,498.81	221,426.75	50.38
Over 3 years	668,602.43	668,602.43	100.00
Total	390,245,370.43	11,046,700.15	2.83

5. Movements of provision during the period

Types	Opening balance	Movements during the period				Closing balance
		Accrual	Recovered or reversed	Written-off	Other movements	
Accounts receivable that provided expected credit losses on single basis	19,133,975.43	14,695,144.56	1,773,068.32			32,056,051.67
Accounts receivable that provided expected credit losses on portfolio basis`	14,715,951.14	259,752.80	3,906,028.92		-22,974.87	11,046,700.15
Including: Receivable from other customers	14,715,951.14	259,752.80	3,906,028.92		-22,974.87	11,046,700.15
Total	33,849,926.57	14,954,897.36	5,679,097.24		-22,974.87	43,102,751.82

Including: main recovery of bad debt provision in current period:

Name	Amount	Way of recovery	Note
Hunan Chongsheng Jingzhu Group Co., Ltd.	1,063,041.16	Bank transfer	

6. No actual write-off of accounts receivable during the current period

7. Top 5 receivable accounts

Name	Closing balance	Proportion in total closing balance of accounts receivable (%)	Bad debt provision
Top 5 receivables accounts in total	153,286,032.19	35.48	17,111,402.62

Note 4. Prepayments

1. Presentation of prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	7,946,750.81	100.00	16,612,773.76	100.00

2. Top 5 prepayments

Name	Closing balance	Proportion in total closing balance of prepayments (%)
Top 5 prepayments in total	3,930,082.16	49.46

Note 5. Other receivables

1. Presentation of other receivables by aging

Aging	Closing balance	Opening balance
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Aging	Closing balance	Opening balance
Within one year	64,697,975.58	55,677,698.47
1 - 2 years	655,341.52	662,641.27
2- 3 years	484,750.05	11,101.80
Over 3 years	135,480.00	588,065.00
Subtotal	65,973,547.15	56,939,506.54
Less: bad debt provision	4,420,279.33	4,036,726.91
Total	61,553,267.82	52,902,779.63

2. Presented by nature

Nature	Closing balance	Opening balance
Security deposit	55,467,644.12	45,500,721.00
Petty cash	2,556,673.37	2,438,803.09
Others	7,949,229.66	8,999,982.45
Total	65,973,547.15	56,939,506.54

3. Presented according to three stages of financial assets impairment

Item	Closing balance			Opening balance		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
First stage	64,508,342.25	3,055,122.43	61,453,219.82	55,271,836.64	2,369,057.01	52,902,779.63
Second stage						
Third stage	1,465,204.90	1,365,156.90	100,048.00	1,667,669.90	1,667,669.90	
Total	65,973,547.15	4,420,279.33	61,553,267.82	56,939,506.54	4,036,726.91	52,902,779.63

4. Presented by bad debt provision method

category	Closing balance				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis	1,465,204.90	2.22	1,365,156.90	93.17	100,048.00
Other receivables that provided expected credit losses on portfolio basis	64,508,342.25	97.78	3,055,122.43	4.74	61,453,219.82
Including: Security deposit portfolio	55,467,644.12	84.08	2,781,540.05	5.01	52,686,104.07
Petty cash portfolio	2,556,673.37	3.88	-	-	2,556,673.37
Social security payment on-behalf portfolio	483,396.42	0.73	-	-	483,396.42
Portfolio of others	6,000,628.34	9.09	273,582.38	4.56	5,727,045.96
Total	65,973,547.15	100.00	4,420,279.33	6.70	61,553,267.82

Continued

Category	Opening balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis	1,667,669.90	2.93	1,667,669.90	100.00	
Other receivables that provided expected credit losses on portfolio basis	55,271,836.64	97.07	2,369,057.01	4.29	52,902,779.63
Including: Security deposit portfolio	45,500,721.00	79.91	2,281,728.51	5.01	43,218,992.49
Petty cash portfolio	2,438,803.09	4.28			2,438,803.09
Social security payment on-behalf portfolio	792,711.42	1.39			792,711.42
Portfolio of others	6,539,601.13	11.49	87,328.50	1.34	6,452,272.63
Total	56,939,506.54	100.00	4,036,726.91	7.09	52,902,779.63

5. Other receivables that provided expected credit losses on single basis included in the closing balance

Name	Closing balance			
	Carrying amount	Bad debt provision	ECL rate (%)	Reason
Receivable from others	1,465,204.90	1,365,156.90	93.17	Chances of recovery is remote

6. In the portfolio, other receivables with expected credit loss provided based on credit risk characteristic portfolio

(1) Security deposit portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	55,427,594.12	2,741,490.05	4.95
1 - 2 years			
2- 3 years			
Over 3 years	40,050.00	40,050.00	100.00
Total	55,467,644.12	2,781,540.05	5.01

(2) Petty cash portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	2,536,236.70		
1 - 2 years	6,311.62		
2- 3 years	14,125.05		
Over 3 years			
Total	2,556,673.37		

(3) Social security payment on-behalf portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	483,396.42		

(4) Portfolio of others

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	6,000,628.34	273,582.38	4.56

7. Bad debt provision status

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Opening balance	2,369,057.01		1,667,669.90	4,036,726.91
Opening balance movements in current period	-12,506.00		12,506.00	
— Transfer into the second stage				
— Transfer into the third stage	-12,506.00		12,506.00	
— Reverse back to the second stage				
— Reverse back to the first stage				
Accrual during the period	781,582.86		137,566.00	919,148.86
Reversed during the period	82,616.73		452,585.00	535,201.73
Recovered during the period				
Written-off during the period				
Other movements	-394.71			-394.71
Closing balance	3,055,122.43		1,365,156.90	4,420,279.33

8. No other receivables were written-off during the period.

9. Top 5 other receivable accounts

Name	Closing balance	Proportion to closing balance of other receivables (%)	Closing balance of bad debts provision
Top 5 other receivables in total	22,453,594.72	34.03	1,125,982.07

Note 6. Inventory

1. Classification

Item	Closing balance	Opening balance
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	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Raw material	181,764,220.90	17,693,135.85	164,071,085.05	179,270,879.56	19,017,726.57	160,253,152.99
WIP	20,682,530.58		20,682,530.58	12,570,005.95		12,570,005.95
Stored goods	1,960,110,199.48	94,715,064.22	1,865,395,135.26	1,837,664,688.01	78,707,661.10	1,758,957,026.91
Total	2,162,556,950.96	112,408,200.07	2,050,148,750.89	2,029,505,573.52	97,725,387.67	1,931,780,185.85

2. Provision for inventory

Item	Opening balance	Increase in current period		Decrease in current period			Closing balance
		Accrual	Other	Reversed	Realized	Others	
Raw material	19,017,726.57	132,907.16		1,088,930.94		368,566.94	17,693,135.85
Stored goods	78,707,661.10	26,817,418.34			10,775,684.06	34,331.16	94,715,064.22
Total	97,725,387.67	26,950,325.50		1,088,930.94	10,775,684.06	402,898.10	112,408,200.07

Notes to provision for inventory

Item	Evidence of determine NRV and future selling cost	Reason for reversal or realized
Raw material	Estimated selling price less estimated cost to complete and selling and distribution expenses and associated taxes	Factors that caused impairment has been disappeared and the NAV is higher than its carrying amount
Stored goods	Estimated selling price less estimated selling and distributing expenses and associated taxes	Inventory that already provided for was sold or used in current period.

Note 7. Other current assets

Item	Closing balance	Opening balance
Input VAT	20,468,630.65	15,817,909.96
Input VAT not yet certified	41,895,970.19	43,400,801.73
Prepaid corporate income tax	2,459,142.75	25,684.51
Others	7,874,949.13	8,612,242.47
Total	72,698,692.72	67,856,638.67

Note 8. Long-term equity investment

Investee	Opening balance	Movements during the period			
		Addition/new investment	Withdrawn	Investment gains and losses recognized by equity method	Adjustment of other comprehensive income
Associate					
Shanghai Watch Co., Ltd. (Shanghai Watch)	51,400,665.92			3,754,939.39	

Continued

Investee	Movements during the period				Closing balance	Closing balance of inventory
	Changes in other equity	Cash dividend declared	Impairment provision	Others		
Associate						
Shanghai Watch					55,155,605.31	

Note 9. Other equity instrument investments

1. Details of other equity instrument investments

Item	Closing balance	Opening balance
Xi'an Tangcheng Limited	85,000.00	85,000.00

Note 10. Investment property

1. Details of investment property

Item	Property
I. Original cost	
1. Opening balance	609,605,406.79
2. Addition	1,281,008.88
Purchase	
Transferred from fixed assets	1,281,008.88
Other reasons	
3. Decrease	
Disposal	
Other reasons	
4. Closing balance	610,886,415.67
II. Accumulated depreciation	
1. Opening balance	211,518,959.01
2. Increased in current period	15,941,540.31
Accrual	15,941,540.31
Transferred from fixed assets	
Other reasons	
3. Decreased in current period	
Disposal	
Other reasons	
4. Closing balance	227,460,499.32
III. Impairment provision	
1. Opening balance	
2. Increased in current period	
Accrual	

Item	Property
Transferred from fixed assets	
Other reasons	
3. Decreased in current period	
Disposal	
Other reasons	
4. Closing balance	
IV. Book value	
1. Carrying amount at end of the period	383,425,916.35
2. Carrying amount at opening of the period	398,086,447.78

2. Notes to investment property

During the reporting period, certain self-use property of the Company were changed to lease out and they were transferred from fixed assets to investment properties measured at cost model.

Note 11. Fixed assets

1. Status of fixed assets

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
I. Original cost						
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. Increased in current period	13,096,971.22	7,074,376.88	678,419.96	3,474,487.12	2,202,046.67	26,526,301.85
Re-classification						
Purchased	13,096,971.22	7,074,376.88	678,419.96	3,474,487.12	2,202,046.67	26,526,301.85
Transferred from CIP						
Translation difference						
Other increase						
3. Decrease in current period	3,929,461.13	1,503,080.00	1,063,923.00	2,592,290.12	1,096,983.04	10,185,737.29
Disposal or retired		210,534.00	1,063,923.00	2,549,005.02	981,082.28	4,804,544.30
Transferred to investment property	1,281,008.88					1,281,008.88
Translation difference	2,648,452.25	1,292,546.00		43,285.10	115,900.76	4,100,184.11
Other decrease						
4. Closing balance	408,187,709.06	107,468,100.86	14,780,510.38	46,317,448.53	46,887,269.94	623,641,038.77
II. Accumulated 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

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
2. Increased in current period	11,861,411.82	7,755,938.59	428,821.03	4,106,119.29	2,310,544.40	26,462,835.13
Re-classification						
Accrual	11,861,411.82	7,755,938.59	428,821.03	4,106,119.29	2,310,544.40	26,462,835.13
Translation difference						
Other increase						
3. Decrease in current period	1,467,532.88	1,100,152.51	1,010,726.85	2,374,651.49	930,242.73	6,883,306.46
Disposal or retired		199,668.69	1,010,726.85	2,345,731.03	826,766.35	4,382,892.92
Transferred to investment property						
Translation difference	1,467,532.88	900,483.82		28,920.46	103,476.38	2,500,413.54
Other decrease						
4. Closing balance	122,149,565.18	63,039,735.12	12,847,470.81	35,896,505.66	40,212,445.35	274,145,722.12
III. Impairment provision						
1. Opening balance						
2. Increase in current period						
Re-classification						
Accrual						
Other increase						
3. Decrease in current period						
Disposal or retired						
Transferred into investment property						
Other decrease						
4. Closing balance						
IV. Book value						
1. Carrying amount at end of period	286,038,143.88	44,428,365.74	1,933,039.57	10,420,942.87	6,674,824.59	349,495,316.65
2. Carrying amount at beginning of 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

Note: As of the period, fixed assets used to pledge for the Company's loan amounted to

RMB11,490,566.65.

2. Fixed assets that do not have certificate for property right

Item	Book value	Reason for not having certificate for property rights
Property	255,135.96	Issues relating to property right
Property	3,067,640.30	Not yet completed

Note 12. Right-of-use assets

Item	Property
I. Original cost	
1. Opening balance	250,970,274.22
2. Increase in current period	98,622,544.53
Re-classification	
Lease	98,622,544.53
Other increase	
3. Decrease in current period	36,014,185.11
Maturity of lease term	
Other decrease	36,014,185.11
4. Closing balance	313,578,633.64
II. Accumulated depreciation	
1. Opening balance	87,800,873.78
2. Increase in the period	100,275,414.73
Reclassification	
Accrual	100,275,414.73
Other increase	
3. Decrease in the period	22,430,130.29
Maturity of lease term	
Other decrease	22,430,130.29
4. Closing balance	165,646,158.22
III. Impairment provision	
1. Opening balance	
2. Increase in the period	
Reclassification	
Accrual	
Other increase	
3. Decrease in the period	
Maturity of lease term	
Other decrease	
4. Closing balance	

Item	Property
IV. Book value	
1. Carrying amount at end of period	147,932,475.42
2. Carrying amount at beginning of period	163,169,400.44

Note 13. Intangible assets

1. Status

Item	Land-use right	Software system	Right to use trademarks	Total
I. Original cost				
1. Opening balance	34,933,822.40	29,134,692.80	14,068,906.86	78,137,422.06
2. Increase in the period		1,151,727.41	1,186,718.72	2,338,446.13
Purchase		1,151,727.41	1,186,718.72	2,338,446.13
Internal R&D				
Other source				
3. Decrease in the period				
Disposal				
Other reasons				
4. Closing balance	34,933,822.40	30,286,420.21	15,255,625.58	80,475,868.19
II. Accumulated amortization				
1. Opening balance	15,048,815.45	18,612,740.91	6,616,549.19	40,278,105.55
2. Increase in the period	733,553.28	4,165,730.97	1,263,147.96	6,162,432.21
Accrual	733,553.28	4,165,730.97	1,263,147.96	6,162,432.21
Other reasons				
3. Decrease in the period				
Disposal				
Other reasons				
4. Closing balance	15,782,368.73	22,778,471.88	7,879,697.15	46,440,537.76
III. Impairment provision				
1. Opening balance				
2. Increase in the period				
Accrual				
Other reasons				
3. Decrease in the period				
Transfer				
Other reasons				

Item	Land-use right	Software system	Right to use trademarks	Total
Other transfer				
4. Closing balance				
IV. Book value				
1. Book value at end of the period	19,151,453.67	7,507,948.33	7,375,928.43	34,035,330.43
2. Book value at beginning of the period	19,885,006.95	10,521,951.89	7,452,357.67	37,859,316.51

Note 14. Long-term deferred expenses

Item	Opening balance	Increase	Amortized	Other decrease	Closing balance
Counter fabrication expenses	25,146,766.71	37,577,009.80	34,160,604.79		28,563,171.72
Renovation expenses	98,681,716.46	83,147,472.60	61,133,283.16		120,695,905.90
Others	6,189,104.82	16,981,131.74	8,638,980.74		14,531,255.82
Total	130,017,587.99	137,705,614.14	103,932,868.69		163,790,333.44

Note 15. Deferred tax assets and deferred tax liabilities

1. Detail of deferred tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment provision	148,079,831.14	31,562,627.52	122,763,597.44	24,130,990.19
Unrealized profit for related party transactions	96,716,186.61	24,021,244.01	135,402,764.86	33,674,974.92
Deductible losses	62,781,216.23	15,188,881.56	64,272,084.42	15,216,766.23
Restricted shares	17,502,152.62	4,121,326.77	10,011,227.40	2,398,201.09
Advertisement expenses that allowed to deduct in future years	11,503,471.12	2,219,622.49	18,840,253.36	3,378,321.23
Lease liabilities	147,888,578.26	36,972,144.57		
Others	9,993,278.10	2,498,319.53	8,458,186.73	2,114,546.69
Total	494,464,714.08	116,584,166.45	359,748,114.21	80,913,800.35

2. Detail of deferred tax liabilities before offsetting

Item	Closing balance		Opening balance	
	taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
One-off deduction of fixed asset before Corporate income tax	24,113,302.98	3,616,995.45	20,452,230.39	3,067,834.55
Right-of-use asset	147,881,641.51	36,970,410.38		
Total	171,994,944.49	40,587,405.83	20,452,230.39	3,067,834.55

3. Net-off of deferred tax asset or liabilities

Item	Amount off-set at current period	Closing balance of deferred tax asset or liability after off-set	Amount off-set at prior period	Opening balance of deferred tax asset or liability after off-set
deferred tax asset	35,350,891.80	81,233,274.65		80,913,800.35
deferred tax liabilities	35,350,891.80	5,236,514.03		3,067,834.55

4. Details of deductible temporary difference and deductible losses that does not recognize as deferred income tax asset

Item	Closing balance	Opening balance
Impairment provision	15,218,179.77	14,790,427.78
Deductible losses	54,139,145.45	61,104,363.07
Total	69,357,325.22	75,894,790.85

Note: Deductible losses of Swiss Company, which are subsidiaries of the Company, is not recognized as deferred income tax asset as it's uncertain that the companies can get sufficient taxable income in future. Hong Kong Company, a subsidiary of the Company, does not need to recognize the deferred income tax assets for impairment provision according to the local tax policy.

5. Deductible losses that are not recognized as deferred tax asset will due in the following years:

Year	Closing balance	Opening balance	Note
2021			
2022			
2023	149,750.18	7,114,967.80	
2024	11,684,299.22	11,684,299.22	
2025	18,449,678.50	18,449,678.50	
2026	23,855,417.55	23,855,417.55	
Total	54,139,145.45	61,104,363.07	

Note 16. Other non-current assets

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Prepayment for construction and equipment	42,680,753.78		42,680,753.78	13,536,307.13		13,536,307.13

Note 17. Short-term loan

Item	Closing balance	Opening balance
Guaranteed loans	15,737,928.76	142,195,227.88
Credit loans	250,000,000.00	400,000,000.00

Item	Closing balance	Opening balance
Accrued interest payable	256,666.67	478,050.21
Total	265,994,595.43	542,673,278.09

Note 18. Notes payable

Types	Closing balance	Opening balance
Commercial bills payable	21,223.10	3,581,360.00

Note 19. Account payables

Item	Closing balance	Opening balance
Trade payables	232,841,934.81	284,050,848.79
Payables for material purchased	20,513,993.11	15,679,531.11
Payables for project	1,232,967.42	1,481,135.49
Total	254,588,895.34	301,211,515.39

Note 20. Advances from customer

Item	Closing balance	Opening balance
Rental received in advance	11,025,664.72	9,991,850.67

Note 21. Contract liabilities

Item	Closing balance	Opening balance
Advances for goods received	22,505,426.65	18,213,396.49

Note 22. Employee remuneration payable

1. Status

Item	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	125,981,238.62	671,171,231.14	662,456,183.27	134,696,286.49
Post-employment benefits - defined contribution plans	6,767,477.58	48,794,359.96	46,097,963.35	9,463,874.19
Termination benefits	104,746.00	3,396,691.07	1,725,447.69	1,775,989.38
Total	132,853,462.20	723,362,282.17	710,279,594.31	145,936,150.06

2. Short-term employee benefits

Item	Opening balance	Increase	Decrease	Closing balance
Salaries, bonus, allowances	125,136,477.65	608,818,494.84	600,136,279.73	133,818,692.76
Staff welfare	3,805.46	11,377,936.46	11,381,033.12	708.80
Social insurances		22,210,707.38	22,190,086.72	20,620.66
Including: 1. Medical insurance		20,788,454.25	20,767,833.59	20,620.66
2. Supplementary medical insurance		26,898.00	26,898.00	

3. Work-related injury insurance		782,748.63	782,748.63	
4. Maternity insurance		612,606.50	612,606.50	
Housing Fund	2,932.00	19,839,787.30	19,815,615.30	27,104.00
Labor union fees and education fee	838,023.51	8,924,305.16	8,933,168.40	829,160.27
Short-term paid absences				
Other short-term employee benefits				
Total	125,981,238.62	671,171,231.14	662,456,183.27	134,696,286.49

3. Defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	295,976.45	40,964,893.15	41,034,054.05	226,815.55
Unemployment insurance	437.76	1,210,037.85	1,210,475.61	
Annuity	6,471,063.37	6,619,428.96	3,853,433.69	9,237,058.64
Total	6,767,477.58	48,794,359.96	46,097,963.35	9,463,874.19

Note 23. Taxes payable

Item	Closing balance	Opening balance
VAT	46,711,341.16	36,028,888.63
Corporate income tax	15,663,227.68	29,488,177.68
Individual income tax	1,568,912.16	1,609,420.04
Urban maintenance and construction tax	1,624,353.62	631,469.18
Educational surcharges	1,161,292.58	450,946.60
Others	1,040,752.81	716,369.77
Total	67,769,880.01	68,925,271.90

Note 24. Other payables

Item	Closing balance	Opening balance
Dividends payable	5,015,026.30	1,639,513.77
Other payables	162,793,733.65	126,938,084.17
Total	167,808,759.95	128,577,597.94

Note: Other payables in above table refers to other payables excluding interest payable and dividends payable.

1. Dividends payable

Item	Closing balance	Opening balance	Reasons for not being paid
Dividends for ordinary shares	5,015,026.30	1,639,513.77	unlock

2. Other payables

(1) Other payables by nature

Nature	Closing balance	Opening balance
Security deposit	33,536,237.44	46,419,944.64
Shop activity fund	19,208,694.86	21,861,578.14
Decoration expenses	10,201,524.91	7,481,768.84
Repurchase liability for restricted shares	60,585,678.92	16,299,166.73
Other	39,261,597.52	34,875,625.82
Total	162,793,733.65	126,938,084.17

(2) Material other receivables with aging over 1 year

Name	Closing balance	Reasons for not being paid
Huazhu Hotel Management Co., Ltd	4,600,000.00	Undue
Shenzhen Coman Medical Equipment Co., Ltd.	1,676,337.60	Undue
Bilin Venture Capital (Shenzhen) Partnership LLP	1,442,275.27	Undue
Yading (Shenzhen) Industrial Co., Ltd.	1,332,652.89	Undue
Total	9,051,265.76	

Note 25. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loan due within one year	3,924,900.00	370,030.00
Lease liabilities due in one year	83,025,006.35	88,839,586.06
Total	86,949,906.35	89,209,616.06

Note 26. Other current liabilities

Item	Closing balance	Opening balance
Output VAT not yet realized	2,798,738.32	2,299,755.09

Note 27. Long-term loan

Category	Closing balance	Opening balance
Mortgage loans	3,924,900.00	4,440,360.00
Less: Long-term loan due within one year	3,924,900.00	370,030.00
Total		4,070,330.00

As of 31 December 2021, the carrying amount of fixed assets used in mortgage for the Company's loan amounted to RMB11,490,566.65.

Note 28. Lease liabilities

Residual lease term	Closing balance	Opening balance
Within 1 year	87,412,539.35	94,225,765.63
1 - 2 years	45,978,062.22	60,405,317.90
2 - 3 years	13,813,526.70	16,268,969.19

Over 3 years	7,720,317.07	2,896,760.13
Total lease payables	154,924,445.34	173,796,812.85
Less: financing expense not realized	6,980,716.89	7,517,647.49
PV of lease payables	147,943,728.45	166,279,165.36
Less: lease liabilities due in one year	83,025,006.35	88,839,586.06
Total	64,918,722.10	77,439,579.30

Interest expenses for lease liabilities recognized in current period was RMB6,486,982.37.

Note 29. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Asset related government subsidy	2,377,718.35		584,884.45	1,792,833.90	See below table
income related government subsidy	538,628.08		538,628.08		See below table
Total	2,916,346.43		1,123,512.53	1,792,833.90	

1. Deferred income related to government subsidy

Item	Opening balance	Addition	Include in non-operating income in current period	Include in other gains in current period	Offsetting expense or cost	Closing balance	Related to asset /income
Special fund for Shenzhen industrial design industry development	551,309.04			161,185.89		390,123.15	Asset related
Funding project for construction of National Enterprise Technology Center	925,127.45			293,147.06		631,980.39	Asset related
Provincial Specialized Fund for Industrial and Information	901,281.86			130,551.50		770,730.36	Asset related
Others	538,628.08			538,628.08		-	Income related
Total	2,916,346.43			1,123,512.53		1,792,833.90	

Note 30. Share capital

Item	Opening balance	Movements: increase(+), decrease(-)					Closing balance
		Newly issued	Bonus share	Capitalization of capital reserves	Others	Subtotal	
Total shares	428,091,881	7,660,000			-9,700,866	-2,040,866	426,051,015

Notes to movements:

1. On 15 December 2020, pursuant to the examination and approval given by AVIC under "Reply to Examination and approval of Implementation of Second Phase of Restricted Share Incentive plan of

FIYTA Precision Technology Co., Ltd.” (Ren Zi [2020] No. 35) , and approved by the board of directors and shareholder’s general meeting, the Company implemented the incentive plan. On 15 January 2021, the restricted share incentive plan (second phase) had granted restricted A-shares of 7,660,000 shares to 135 incentive individuals.

2. Pursuant to the resolution of “Proposal of repurchase and de-registration part of restricted shares authorized under 2018 A-share Restricted Share Incentive Plan (First Phase) ”, and the resolution of ““Proposal of repurchase and de-registration part of restricted shares authorized under 2018 A-share Restricted Share Incentive Plan (Second Phase) ”, the Company repurchased and de-registered, in 2021, 706,780 A-share restricted shares that had been authorized but still under restriction period. Those shares were owned by 9 former incentive object that are resigned.

3. Pursuant to “The Resolution of Plan of Re-purchase B Shares” which was approved on the 19th meeting of the 9th Board of Directors and the 2nd extraordinary shareholder’s meeting of 2020, the Company was authorized to repurchase B Shares, using the Company’s fund, to reduce the registered capital. On 3 August 2021, confirmed by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, the Company de-registered 8,994,086 B-shares.

Note 31. Capital reserve

Item	Opening balance	Increase	Decrease	Closing balance
Share premium	996,986,711.73	54,257,795.84	41,135,973.76	1,010,108,533.81
Other capital reserve	24,503,676.05	13,667,981.68	7,371,997.41	30,799,660.32
Total	1,021,490,387.78	67,925,777.52	48,507,971.17	1,040,908,194.13

Notes to capital reserve

1. On 15 December 2020, pursuant to the examination and approval given by AVIC under “Reply to Examination and approval of Implementation of Second Phase of Restricted Share Incentive plan of FIYTA Precision Technology Co., Ltd.” (Ren Zi [2020] No. 35) , and approved by the board of directors and shareholder’s general meeting, the Company implemented the incentive plan. On 15 January 2021, the restricted share incentive plan (second phase) had granted restricted A-shares of 7,660,000 shares to 135 incentive individuals. The Company received share purchase payment of RMB58,216,000.00. Amongst, share capital increase by RMB7,660,000, and capital reserve increased by 50,556,000.00. At the same time, recognized share repurchase obligation in other payables amounting to RMB58,216,000.00 and corresponding treasury shares of RMB58,216,000.00. In 2021, the Company charged RMB12,106,904.32 into cost or expenses in change of incentive personnel’s service and increased the capital reserve by the same amount accordingly.

2. Pursuant to “The Resolution of Plan of Re-purchase B Shares” which was approved on the 19th meeting of the 9th Board of Directors and the 2nd extraordinary shareholder’s meeting of 2020, the Company was authorized to repurchase B Shares, using the Company’s fund, to reduce the registered capital. On 3 August 2021, confirmed by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, the Company de-registered 8,994,086 B-shares, which in turn decreased the capital reserve by

RMB41,132,596.76.

3. Pursuant to the resolution of “Proposal of repurchase and de-registration part of restricted shares authorized under 2018 A-share Restricted Share Incentive Plan (First Phase)”, and the resolution of “Proposal of repurchase and de-registration part of restricted shares authorized under 2018 A-share Restricted Share Incentive Plan (Second Phase)”, the Company repurchased and de-registered, in 2021, 706,780 A-share restricted shares that had been authorized but still under restriction period. Those shares were owned by 9 former incentive object that are resigned. Capital reserve of RMB3,670,201.57 was deducted accordingly.

4. Differences, caused by fair value different when unlock the restricted shares, between CIT deducted amount and cost or expenses recognized in vesting period increased the capital reserve by RMB1,561,077.36.

5. Pursuant to “The Resolution of Plan of Re-purchase B Shares” which was approved on the 19th meeting of the 9th Board of Directors and the 2nd extraordinary shareholder’s meeting of 2020, the Company incurred transaction cost of RMB 3,377 for the repurchase. The expenses of RMB3,377 was deducted from capital reserve.

Note 32. Treasury shares

Item	Opening balance	Increase	Decrease	Closing balance
Share repurchase	45,368,941.80	4,757,740.96	50,126,682.76	
Share based payment	16,264,588.68	58,216,000.00	13,894,909.76	60,585,678.92
Total	61,633,530.48	62,973,740.96	64,021,592.52	60,585,678.92

Notes to treasury shares:

1. As described in Note VI. 31. 1, the treasury shares increased by RMB58,216,000.00 due to issue of restricted shares.

2. As described in Note VI. 31. 2, the treasury shares decreased by RMB50,126,682.76 due to re-purchase of B-share.

3. As described in Note VI. 31. 3, the treasury shares decreased by RMB4,376,981.57 due to re-purchase of restricted shares. And cash dividend to the remaining restricted shares decreased treasury shares by RMB4,088,467.68.

4. In 2021, the Company re-purchased B-share of 847,685 shares. Consideration paid was HKD5,691,273.88 (excluding trading fee), equivalent to RMB4,757,740.96. The treasury share increased by 4,757,740.96.

5. On 29 December 2021, Pursuant to the “Resolution of Fulfilling Unlocking Condition for the 2018 A-Share Restricted Share Incentive Plan (First Phase)” passed on the 24th meeting of the 9th Board, the first unlocking condition was met. Based on the authorization of the General Meeting, the Board lifted restriction for 122 incentive individuals. The corresponding shares can be traded on 1 February 2021, of which the cash dividend decreased treasury shares by RMB5,429,460.51.

Note 33. Other Comprehensive income

Item	Opening balance	Amount in current period									Closing balance
		Pre-tax amount	Less: recorded in OCI in prior period and transferred to profit or loss in current period	Less: recorded in OCI in prior period and transferred to financial assets at amortized cost	Less: reserve of hedging transferred to related assets or liabilities	Less: CIT	Attribute to parent company after tax	Attribute to non-controlling shareholders after tax	Less: movements of defined benefit plan	Less: recorded in OCI in prior period and transferred to retained earnings in current period	
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss											
II. Other comprehensive income items which may be reclassified subsequently to profit or loss											
translation difference	976,87 1.41	-8,635,21 7.81					-8,635,21 7.81				-7,658,34 6.40

Note 34. Specific reserve

Item	Opening balance	Increase	Decrease	Closing balance
Safety production fee		1,421,605.68	358,874.55	1,062,731.13

Note 35. Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	184,546,972.87	28,478,534.63		213,025,507.50
Discretionary surplus reserve	61,984,894.00			61,984,894.00
Total	246,531,866.87	28,478,534.63		275,010,401.50

Notes to surplus reserve:

Note: According to the Company Law and Articles of Association, the Company draws statutory surplus reserve at 10% of net profit. If the statutory surplus reserve is over 50% of the Company's registered capital, drawing of statutory surplus reserve will be stopped.

The Company can draw discretionary surplus reserve after drawing statutory surplus reserve. If approved, discretionary surplus reserve can be used to make up for losses in previous years or increase share capital.

Note 36. Undistributed profit

Item	Current period	Prior period
Undistributed profit at the end of prior year before adjustments	1,164,490,911.51	966,840,818.40
Adjustments to undistributed profit at the beginning of year ("+" for increase and "-" for decrease)	-11,188,268.01	
Undistributed profit at the beginning of year after adjustment	1,153,302,643.50	966,840,818.40
Plus: Net profit attributable to the owner of the parent company for the year	387,840,282.95	294,115,156.04
Less: statutory surplus reserve drawn	28,478,534.63	10,830,686.73
Dividends payable to ordinary shares	174,220,065.73	85,634,376.20
Undistributed profit at the end of year	1,338,444,326.09	1,164,490,911.51

Notes to adjusting undistributed profit at the beginning of year

Opening undistributed profit was adjusted by -11,188,268.01 because of change in accounting policies. Refer to Note IV. 38 for details.

Note 37. Operating income and operating cost

1. Operating income and operating cost

Item	Amount in current period	Amount in prior period
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Item	Amount in current period		Amount in prior period	
	Revenue	Cost	Revenue	Cost
Main business	5,224,836,384.30	3,283,434,432.96	4,226,992,193.44	2,632,869,284.16
Other business	18,897,156.63	2,221,796.17	16,447,759.15	6,360,252.90

**2. Revenue
generated by
contract**

Types of contract	Amount in current period	Amount in prior period
I. Types of goods		
Watch business	4,923,280,724.48	3,970,903,426.36
Precision manufacturing	150,094,350.20	138,806,456.76
Other business	18,897,156.63	16,447,759.15
II. Categorized based on timing of goods transfer		
At a point of time	5,078,899,659.72	4,115,090,762.09
During a period of time	13,372,571.59	11,066,880.18

Note: revenue generated by contract does not include lease income of RMB151,461,309.62 which is regulated under “CAS No.21 – Lease”.

Note 38. Tax and surcharges

Item	Amount in current period	Amount in prior period
Urban maintenance and construction tax	13,898,225.16	10,068,664.42
Educational surcharge	5,907,693.68	4,314,874.91
Local education surcharges	3,923,712.57	2,840,421.94
Property tax	7,224,965.66	4,094,171.89
Stamp duty	4,156,804.98	3,347,384.62
Others	2,452,184.75	778,621.52
Total	37,563,586.80	25,444,139.30

Note 39. Selling and distribution expenses

Item	Amount in current period	Amount in prior period
Salary	433,505,654.18	359,485,012.85
Department store expense and rental	189,748,898.49	225,399,141.62
Market promotion expenses	161,389,740.20	129,846,038.05
Depreciation and amortization	191,787,912.35	93,520,422.84
Packaging expenses	8,739,319.16	8,931,806.05
Utilities and property management expenses	22,588,777.26	19,596,237.03
Shipping fees	8,530,775.41	5,316,601.90

Item	Amount in current period	Amount in prior period
Office expenses	7,446,024.76	5,894,271.36
Travel expenses	7,279,500.39	6,384,080.73
Entertainment expenses	4,046,655.86	3,437,118.33
Others	14,834,965.22	12,903,168.56
Total	1,049,898,223.28	870,713,899.32

Note 40. Administrative expenses

Item	Amount in current period	Amount in prior period
Salary	202,675,218.51	196,350,562.99
Depreciation and amortization	24,544,056.69	25,865,228.70
Travel expenses	3,980,000.38	3,537,267.52
Office expenses	5,390,287.09	4,446,219.38
Agents fees	3,342,562.00	5,371,712.37
Rental and utilities	852,555.31	1,007,513.11
Entertainment expenses	1,494,588.12	1,269,440.44
Vehicle and transportation expenses	1,718,083.11	1,781,896.05
Telecommunication expenses	983,910.06	1,009,390.54
Others	16,645,501.14	15,919,896.13
Total	261,626,762.41	256,559,127.23

Note 41. R&D expenses

Item	Amount in current period	Amount in prior period
Salary	40,498,469.51	32,217,390.03
Sample and material expenses	1,557,455.43	1,561,063.66
Molding expenses	744,578.81	986,988.83
Depreciation and amortization	6,048,741.96	6,397,967.06
Technical cooperation fee	2,480,127.69	4,768,053.72
Others	6,473,195.77	5,557,860.19
Total	57,802,569.17	51,489,323.49

Note 42. Financial expenses

Item	Amount in current period	Amount in prior period
Interest expenses	23,159,963.74	21,315,119.78
Less: Interest income	3,589,649.85	4,941,334.19
Exchange gain or losses	634,406.96	3,896,579.87
Bank charges	14,472,352.80	13,178,910.95
Total	34,677,073.65	33,449,276.41

Note 43. Other income

1. Details

Sources of other income	Amount in current period	Amount in prior period
Government subsidy	21,328,673.21	25,170,397.09

2. Government subsidy included in other income

Item	Amount in current period	Amount in prior period	Asset or income related
Quality and Branding Promotion Subsidy for 2020 Technique Multiplication Subsidy Plan	1,960,000.00	2,400,000.00	Income related
Provincial industry and information special subsidy	130,551.50	130,551.48	Asset related
Subsidy to promote consumption	420,000.00		Income related
High precision watch technology innovation project	-160,000.00		Income related
Commission on IIT payment	502,644.31	370,789.08	Income related
Guangming District specific subsidy for online market expanding	200,000.00		Income related
State certified R&D center	293,147.06	293,147.06	Asset related
Other subsidies	711,026.01	813,731.50	Income related
R&D project subsidy	378,000.00	355,000.00	Income related
2019 Shenzhen Standard Special Fund	836,705.00	979,160.00	Income related
Shenzhen post-doctoral subsidy	550,000.00		Income related
Special fund for Shenzhen industrial designing	161,185.89	178,635.97	Asset related
Corporate Research and Development Funding	756,000.00	571,000.00	Income related
Special fund of Nanshan district to support self-innovation industry development	4,913,900.00	4,526,600.00	Income related
Subsidy to assist high quality development of fashion industry	3,730,000.00		Income related
Subsidy for stabilizing job position	833,013.44	3,743,398.00	Income related
Subsidy to support sales promotion	3,500,000.00	1,000,000.00	Income related
Government subsidy for R&D project	200,000.00		Income related
Training subsidy	322,500.00	611,500.00	Income related
Economic development special fund of Guangming District to support intellectual property right, standardization certification project	1,090,000.00	677,000.00	Income related
2019 Nanshan District self-innovation industry development subsidy		209,500.00	Income related
Subsidy for SME to expanding market		176,920.00	Income related
Plan to subsidy industrial internet development		520,000.00	Income related
Guangdong Provincial Science and Technology Innovation Strategy Fund		1,000,000.00	Income related
Nanshan Industrial and Information Bureau subsidy for rental		100,000.00	Income related
Social insurance subsidy		101,300.00	Income related

Headquarters enterprise award		2,872,900.00	Income related
Special fund of Nanshan district Industrial and Information Bureau to support trading industry		2,592,300.00	Income related
Special subsidy to Shenzhen intelligence property right area		300,000.00	Income related
Associate subsidy to China patent excellence award		200,000.00	Income related
Central government foreign trade development special fund		446,964.00	Income related
Total	21,328,673.21	25,170,397.09	

Note 44. Investment gain

Item	Amount in current period	Amount in prior period
Gain from long-term equity investments accounted for using equity method	3,754,939.39	5,072,577.64

Note 45. Credit impairment loss

Item	Amount in current period	Amount in prior period
Bad debt loss	-11,075,001.77	-9,096,922.74

Note 46. Asset impairment loss

Item	Amount in current period	Amount in prior period
Inventory decline in value	-25,861,394.56	-15,426,526.41

Note 47. Gains from assets disposal

Item	Amount in current period	Amount in prior period
Gains (losses) from assets disposal	-134,543.49	-369,857.30
Gains (losses) from right-of-use assets disposal	864,678.36	
Total	730,134.87	-369,857.30

Note 48. Non-operating income

Item	Amount in current period	Amount in prior period	Amount included in non-recurring gains or losses in current period
Compensation	113,138.61	1,769,663.80	113,138.61
Payables cannot be paid	383,893.25	633,022.50	383,893.25
Others	130,403.17	708,727.34	130,403.17
Total	627,435.03	3,111,413.64	627,435.03

Note 49. Non-operating expense

Item	Amount in current period	Amount in prior period	Amount included in non-recurring gains or losses in current period
Donation	300,000.00		300,000.00
Fine and penalty for late payment	698,864.04	1,032.09	698,864.04

Item	Amount in current period	Amount in prior period	Amount included in non-recurring gains or losses in current period
Payment for breach of agreement	2,507,649.06	331,373.75	2,507,649.06
Others	179,653.45	1,222,707.02	179,653.45
Total	3,686,166.55	1,555,112.86	3,686,166.55

Note 50. CIT expenses

1. Details

Item	Amount in current period	Amount in prior period
Current tax expense for the year based on tax law and regulations	112,084,704.70	82,548,458.59
Changes in deferred tax assets/liabilities	2,382,671.18	-3,209,941.99
Total	114,467,375.88	79,338,516.60

2. Reconciliation between income tax expenses and accounting profit is as follows:

Item	Amount in current period
Profits before tax	502,327,716.11
Income tax calculated based on statutory tax rate	125,581,929.05
Effect of different tax rates applied by subsidiaries	-7,919,551.34
Adjustment to income tax of previous years	765,383.02
Effect of non-taxable income	-946,628.62
Effect of non-deductible costs, expenses and losses	4,388,679.47
Effect of using the deductible temporary differences or deductible losses for which no deferred tax asset was recognized in prior period	-604,278.27
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized this year	
Effect of research and development expenses super deduction	-6,798,157.43
Others	
Income tax expenses	114,467,375.88

Note 51. Notes to cash flow statement

1. Cash received from other operating activities

Item	Amount in current period	Amount in prior period
Security deposit	12,286,247.59	16,369,729.33
Government subsidy	22,985,857.32	29,643,860.40
Promotion expenses	13,582,651.81	12,486,890.27
Interest income	3,589,649.85	4,941,334.19
Return of petty cash	7,070,953.20	5,503,961.77
Others	25,872,097.79	9,056,036.49
Total	85,387,457.56	78,001,812.45

2. Cash paid for other operating activities

Item	Amount in current period	Amount in prior period
Security deposit	27,774,098.01	13,371,641.24
Petty cash advanced to employee	11,532,694.33	8,618,216.90
Current period expenses	436,157,747.82	433,410,006.32
Others	2,635,207.94	2,258,442.62
Total	478,099,748.10	457,658,307.08

3. Cash paid for other financing activities

Item	Amount in current period	Amount in prior period
Lease payment	115,532,289.07	
Cash paid for re-purchase of shares	9,178,101.51	72,317,669.93
Total	124,710,390.58	72,317,669.93

Note 52. Supplement information to cash flow statement

1. Supplement to cash flow statement

Item	Amount in current period	Amount in prior period
1. Reconciliation of net profit/loss to cash flows from operating activities:		
Net profit	387,860,340.23	294,122,102.24
Add: Credit impairment loss	11,075,001.77	9,096,922.74
Impairment for assets	25,861,394.56	15,426,526.41
Depreciation of fixed assets, and investment property	42,404,375.44	42,147,350.05
Depreciation of right-of-use assets	100,275,414.73	
Intangible asset amortization	6,162,432.21	8,011,446.67
Amortization of long-term deferred expenses	103,932,868.69	107,402,300.57
Loss on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gain)	-730,134.87	369,857.30
Loss on scrap of fixed assets ("-" for gain)		
Loss on changes of fair value ("-" for gain)		
Financial expenses ("-" for income)	23,159,963.74	21,315,119.78
Investment loss ("-" for gain)	-3,754,939.39	-5,072,577.64
Decrease in deferred tax assets ("-" for increase)	-319,474.30	2,825,583.02
Increase in deferred tax liabilities ("-" for decrease)	2,168,679.48	1,811,592.06
Decrease in inventories ("-" for increase)	-133,051,377.44	-137,479,263.64
Decrease in operating receivables ("-" for increase)	59,770,087.01	-137,884,765.44
Increase in operating payables ("-" for decrease)	-77,565,523.41	156,118,311.75
Others		
Net cash flows from operating activities	547,249,108.45	378,210,505.87
2. Significant investment or financing activities not involving cash:		

Item	Amount in current period	Amount in prior period
Debts converted to capital		
Convertible debts mature within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Cash at end of year	210,254,737.14	353,057,285.71
Less: cash at beginning of year	353,057,285.71	315,093,565.09
Plus: cash equivalents at end of year		
Less: cash equivalents at beginning of year		
Net increase in cash and cash equivalents	-142,802,548.57	37,963,720.62

2. Total cash outflows related to lease

Total cash outflows related to lease amounted to RMB115,532,289.07.

3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	210,254,737.14	353,057,285.71
Incl. Cash on hand	108,612.08	183,759.72
Bank deposit available for immediate payment	188,908,798.10	346,055,209.29
Other monetary funds available for immediate payment	21,237,326.96	6,818,316.70
II. Cash equivalents		
Including Bond investment due in three months		
III. Cash and cash equivalents at the end of year	210,254,737.14	353,057,285.71
Including Restricted cash and cash equivalents for the Company and its subsidiaries	1,724,651.93	3,412,028.94

Note 53. Assets with restricted ownership or usage rights

Item	Balance	Reasons
Bill receivables	15,737,928.76	Bill discounted
Fixed asset	11,490,566.65	Pledged
Total	27,228,495.41	

Note 54. Monetary items denominated in foreign currency

1. Monetary items denominated in foreign currency

Item	Balance denominated in foreign currency as at 31 Dec 2021	Exchange rate	Balance translated in RMB as at 31 Dec 2021
Monetary fund			8,514,180.39
HKD	218.63	0.8176	178.75
USD	1,019,499.31	6.3757	6,500,021.75

Item	Balance denominated in foreign currency as at 31 Dec 2021	Exchange rate	Balance translated in RMB as at 31 Dec 2021
EUR	277,768.92	7.2197	2,005,408.28
CHF	1,226.15	6.9776	8,571.61
Accounts receivable			6,478,102.53
HKD	1,321,668.61	0.8176	1,080,596.26
USD	727,349.65	6.3757	4,637,364.76
EUR	91,897.19	7.2197	663,470.14
CHF	13,854.53	6.9776	96,671.37
Other receivables			98,186.34
HKD	120,090.92	0.8176	98,186.34
Accounts payable			1,232,833.10
HKD	459,366.53	0.8176	375,578.07
CHF	122,858.15	6.9776	857,255.03
Other payables			232,536.98
HID	284,414.11	0.8176	232,536.98
Long-term loan (including due in one year)			3,924,900.00
CHF	562,500.00	6.9776	3,924,900.00

2. Overseas operational entity

For main business location and recording currency of important overseas operating entities, refer to Note IV. 5.

Note 55. Government subsidy

1. Status

Types of government subsidy	Amount in current period	Amount included in current period profit or loss	note
Subsidy included in deferred income		1,123,512.53	Note VI 29
Subsidy included in other income	20,365,160.68	20,365,160.68	Note VI 43
Subsidy used to offset cost or expenses	2,620,696.64	2,620,696.64	Note 2 below
Less: subsidy returned	633,183.35	633,183.35	Note 3 below
Total	22,352,673.97	23,476,186.50	

2. Subsidy used to offset cost or expenses

Item	Type	Amount in current period	Amount in prior period	Cost or expenses offset
subsidized interest	State treasury	2,170,134.64	4,603,207.48	Financial expenses
Subsidy for electricity expenses	State treasury	450,562.00	860,524.00	Administrative expenses
Total		2,620,696.64	5,463,731.48	

3. Subsidy returned

Item	Type	Amount in current period	Amount in prior period	Reasons for return
Over disbursement of subsidy and its interest	Income related	160,000.00		Over disbursement
Subsidized interest	Income related	473,183.35		Not qualified
Total		633,183.35		

VII. Changes to the scope of consolidation

Refer to Note II Scope of consolidation for information about entities that newly included or excluded in the consolidation scope.

VIII. Interests in other entities

1. Equity in subsidiary

(1) Composition of enterprise group

Name	Place of operation	Place of registration	Nature of business	Shareholding ratio (%)		Ways acquired
				Direct	Indirect	
Shenzhen Harmony World Watch Center Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
FIYTA Sales Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
Shenzhen FIYTA Precision Technology Co., Ltd.	Shenzhen	Shenzhen	Commerce	90.00	10.00	incorporated or investment
Shenzhen FIYTA Technology Development Co., Ltd.	Shenzhen	Shenzhen	manufacturing	100.00		incorporated or investment
Harmony World Watch Center (Hainan) Co., Ltd.	Sanya	Sanya	Commerce	100.00		incorporated or investment
Shenzhen Xunhang Precision Technology Co., Ltd.	Shenzhen	Shenzhen	manufacturing	100.00		incorporated or investment
Emile Choureit Timing (Shenzhen) Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
Liaoning Hengdarui Commercial & Trade Co., Ltd.	Shenyang	Shenyang	Commerce	100.00		Business combination under common control
TEMPORAL (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
Shenzhen Harmony E-commerce Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
FIYTA (Hong Kong) Ltd.	Hong Kong	Hong Kong	Commerce	100.00		incorporated or investment
Montres Chouriet SA	Swiss	Swiss	manufacturing		100.00	Business combination not under common control
Station 68	Hong Kong	Hong Kong	Commerce		60.00	incorporated or investment

2. Equity in joint arrangement or associates

(1) Significant associates

Name	Place of operation	Place of registration	Nature of businesses	Shareholding ratio (%)		Accounting treatment
				Direct	Indirect	
Shanghai Watch Co., Ltd.	Shanghai	Shanghai	Commercial	25%		Equity method

(2) Principal financial information of significant associate company

Item	Closing balance/Amount in current period	Opening balance/Amount in prior period
Current assets	143,367,298.98	142,137,359.85
Non-current assets	17,537,419.20	13,783,021.02
Total assets	160,904,718.18	155,920,380.87
Current liabilities	24,124,925.22	35,999,813.24
Non-current liabilities	1,839,467.79	
Total liabilities	25,964,393.01	35,999,813.24
Non-controlling interest		
Equity attributable to parent company	134,940,325.17	119,920,567.63
Portion of net asset calculated based on shareholding	33,735,081.29	29,980,141.91
Adjustment matters	21,420,524.02	21,420,524.01
- Goodwill	21,420,524.02	21,420,524.01
- Unrealized profit or losses from internal transaction		
- Others		
Carrying value of investment to associates	55,155,605.31	51,400,665.92
Fair value of equity investment that has public quotation		
Operating income	150,929,452.87	96,146,565.15
Net profit	15,019,757.54	19,907,312.29
Net profit from discontinued operation		
Other comprehensive income		
Total comprehensive income	15,019,757.54	19,907,312.29
Dividends received from associated company during the year		

IX. Risk disclosure related to financial instrument

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

The board of directors is responsible for planning and establishing the risk management structure for the Company, developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyse risks exposed by the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk management. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. Risk management of the Company is carried out by the Risk Management

Committee based on the policies as approved by the board of directors. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

1. Credit risk

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

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

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

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

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

credit loss reasonably by considering settlement period, contracted payment terms, debtor's financial situation and the economic situation of the debtor's industry.

As at 31 December 2021, the carrying amount of related assets and corresponding ECL is as follows:

Aging	Carrying amount	Provision
Bill receivable	64,324,925.49	3,066,779.69
Accounts receivable	431,988,353.10	43,102,751.82
Other receivable	65,973,547.15	4,420,279.33
Total	562,286,825.74	50,589,810.84

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

As at 31 December 2021, the balance of top 5 receivable accounts accounted for 35.48% of total accounts receivables (2020: 31.28%) .

2. Liquidity risk

Liquidity risk refers to the risk of short of funds when the company performs its obligation of cash payment or settlement by other financial assets. The Company's subordinate member companies are responsible for their respective cash flow projections. Based on the results thereof, the subordinate financial management department continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitors the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs. Besides, the Company mainly signs financing agreements with banks that have business transactions to provide support to fulfill commercial bill obligation. As at 31 December 2021, the Company has financing facilities from several banks amounting to RMB1,112.53 million. Amongst, RMB419.58 million has already been used.

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

Item	Closing balance in ten thousands yuan				
	Within 1 year	1 - 2 years	2 - 3 years	Over 3 years	Total
Short term loan	26,846.35				26,846.35
Bills payable	2.12				2.12
Accounts payable	25,458.89				25,458.89
Other payables	16,380.23	200.79	99.93	99.93	16,780.88
Non-current liabilities due in one year	392.49				392.49
Total	69,080.08	200.79	99.93	99.93	69,480.73

3. Market risk

(1) Exchange rate risk

Except that the Company's subsidiary in Hong Kong uses HKD as settlement currency and sub-subsidiary in Swiss used CHF as settlement currency, the principal places of operations of the

Company are located in China and the major businesses are settled in RMB. However, the Company's recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currencies of foreign assets and liabilities as well as the transactions are mainly HKD and CHF) remain exposed to exchange rate risk

As at 31 December 2021, the RMB equivalent of financial assets and financial liabilities denominated in foreign currencies are as follows:

Item	Closing balance				
	HKD	USD	EUR	CHF	Total
Financial asset denominated in foreign currency:					
Monetary fund	178.75	6,500,021.75	2,005,408.28	8,571.61	8,514,180.39
Accounts receivable	1,080,596.26	4,637,364.76	663,470.14	96,671.37	6,478,102.53
Other receivables	98,186.34				98,186.34
Subtotal	1,178,961.35	11,137,386.51	2,668,878.42	105,242.98	15,090,469.26
Financial liabilities denominated in foreign currency:					
Accounts payables	375,578.07			857,255.03	1,232,833.10
Other payables	232,536.98				232,536.98
Non-current liabilities due in one year				3,924,900.00	3,924,900.00
Subtotal	608,115.05			4,782,155.03	5,390,270.08

Sensitivity analysis

As at 31 December 2021, for financial assets and financial liabilities that denominated in foreign currency, if Renminbi appreciate or depreciate of 5% to foreign currency and other factors remain unchanged, the net profit will decrease or increase about RMB 485,000 (31 Dec 2020:RMB 2.55 million) .

(2) Interest rate risk

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

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

Sensitivity analysis:

As at 31 December 2021, it is estimated that a general increase or decrease 50 basis points in the borrowings with floating interest rates, with all other variables held constant, the Company's net profit and shareholder's equity for the year will decrease or increase by approximately RMB1,000,000.00 (2020: RMB 1,250,000.00) .

The above sensitivity analysis assumes that interest rate changed on the balance sheet date and applicable to all loans with floating interest rate terms.

X. Fair value

1. Financial instruments measured at fair value

As at 31 December 2021, the Company does not have financial instruments measured at fair value.

2. Status of financial assets and financial liabilities not measured at fair value

Financial assets and financial liabilities not measured at fair value include: accounts receivable, short-term loans, accounts payable, long-term loans due within one year, and equity instrument investment that does not have public quotation in an active market and its fair value cannot be measured reliably.

The difference between fair value and carrying amount of the above financial assets and liabilities that not measured at fair value is insignificant.

XI. Related party and related transaction

1. The parent company of the Company

Name	Registration place	Type of business	Registered capital (in ten thousand RMB)	Shareholding ratio of parent company to the Company %	Ratio of vote right of parent company to the Company%
CATIC Shenzhen	Shenzhen	Commercial	116,616.20	38.25	38.25

(1) Notes to the parent company

CATIC Shenzhen is a subsidiary that 100% held, indirectly, by AVIC International, and AVIC directly holds 91.91% of the equity of AVIC International.

(2) The ultimate controlling party of the Company is AVIC.

2. Refer to Note VIII. 1 for information about the Company's subsidiaries

3. Refer to Note VIII. 2 for information about the Company's material associates

4. Other related parties

Name of other related parties	Relationship
Shenzhen CATIC Property Management Limited (CATIC Property Management)	Associate company of the controlling shareholder
Shenzhen CATIC Building Equipment Co., Ltd. (CATIC Building Company)	Associate company of the controlling shareholder

Name of other related parties	Relationship
Shenzhen CATIC Nanguang Elevator Engineering Co., Ltd. (CATIC Nanguang)	Associate company of the controlling shareholder
China Merchants Property Operation & Service Co., Ltd (China Merchants Property OS)	Associate company of the controlling shareholder
CATIC Guanlan Property Development Co., Ltd. (CATIC Guanlan Property)	Associate company of the controlling shareholder
China Merchants Jiufang Asset Management Limited (CATIC Jiufang Asset Mgmt Company)	Associate company of the controlling shareholder
Shenzhen CATIC City Investment Co., Ltd (CATIC City Investment)	Associate company of the controlling shareholder
Ganzhou CATIC 9 Square Trading Co, Ltd (Ganzhou 9 Square Company)	Associate company of the controlling shareholder
CATIC City Estate (Kunshan) Co, Ltd (Kunshan Company)	Associate company of the controlling shareholder
Shenzhen AVIC Security Service Co., Ltd (AVIC Security Service)	Associate company of the controlling shareholder
Jiujiang 9 Square Business Management Co., Ltd (Jiujiang 9 Square Business Management)	Associate company of the controlling shareholder
Shenzhen CATIC Property Development Co., Ltd (CATIC Property)	Associate company of the controlling shareholder
AVIC Shanxi Bocheng Aviation Instrument Co., Ltd. (AVIC Baocheng)	Controlled by the same party
Rainbow Digital Science Co., Ltd. and its associated companies (Rainbow Company)	Controlled by the same party
Shennan Circuits Co., Ltd. and its associated companies (Shennan Circuits)	Controlled by the same party
AVIC Lutong Co., Ltd.(AVIC Lutong)	Controlled by the same party
AVIC International Aero-Development Corporation(AVIC Int'l Aero Development)	Controlled by the same party
AVIC Huadong Photoelectric Co., Ltd.(AVIC Huadong Photoelectric)	Controlled by the same party
AVIC Xi'an Flight Automatic Control Research Institute(AVIC Xi'an Flight Institute)	Controlled by the same party
AVIC Jincheng Nanjing Engineering Institute of Aircraft System(AVIC Jincheng Nanjing Institute)	Controlled by the same party
AVIC Supply and Distribution Co., Ltd.(AVIC Supply and Distribution)	Controlled by the same party
Hubei AVIC Ye Steel Special Steel Sales Co., Ltd.(Hubei AVIC Ye Steel)	Controlled by the same party
AVIC (Chengdu) Drone System Co., Ltd. (AVIC Drone)	Controlled by the same party
AVIC Harbin Aircraft Industry Group Co., Ltd.(Harbin Aircraft)	Controlled by the same party
Shenzhen Grand Skylight Hotel Management Co., Ltd (Grand Skylight Hotel Management Company)	Controlled by the same party
Tianma Micro-electronics Co., Ltd. (Tianma)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC Securities Company)	Controlled by the same party
AVIC Training Center	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance Company)	Controlled by the same party
Gongqingcheng CATIC Culture Investment Co., Ltd (Gongqingcheng CATIC Culture Investment Company)	Controlled by the same party
China National Aero-Technology Shenzhen Co., Ltd. (Controlled by the same party
Beijing Hangtong Real-Estate Co., Ltd. (Beijing Hangtong)	Controlled by the same party
Avic Jonhon Optronics Technology Co., Ltd.(AVIC Jonhon)	Controlled by the same party
China Aviation International Simulation Technology Services Co., Ltd. (China Aviation International Simulation)	Controlled by the same party
AVIC International Holdings (Zhuhai) Co., Ltd. (AVIC Zhuhai)	Controlled by the same party
China National Aero-technology Import & Export Corporation (CATIC)	Controlled by the same party

Name of other related parties	Relationship
China Aviation Industry General Aircraft Co., Ltd.(CAIGA)	Controlled by the same party
AVIC Capital Co., Ltd. (AVIC Capital)	Controlled by the same party
Company directors, managers, CFO, and secretary of the board	Key management member

5. Related party transactions

(1) Related transaction between subsidiaries and between parent company and subsidiaries which are in the scope of consolidation have already been offset.

(2) Purchase good and receiving service

Purchase good and receiving service	Purchase good and receiving service	Amount in current period	Amount in prior period
CATIC Property Management	Property management	10,672,790.93	11,112,069.09
Rainbow Company	Department store expenses/ Commodity purchase	4,964,647.21	4,841,752.49
AVIC Training Center	Training fee	147,652.13	150,000.00
Ganzhou 9 Square Company	Department store expense	178,484.53	182,754.97
CATIC City Estate (Kunshan) Company	Department store expense	64,060.80	50,277.87
Jiufang Business Management	Department store expense	86,305.01	84,262.98
Tianma	Purchase of goods		538,699.11
CATIC Building Company	Renovation	82,276.21	114,002.02
CATIC Shenzhen Company	Purchase of goods		451,327.43
AVIC Nanguang Company	Elevator maintenance	463,226.05	245,660.40
AVIC Jonhon	Purchase of goods	76,667.61	
Gongqingcheng CATIC Culture Investment Company	Departmental store expense	31,544.56	
Total		16,767,655.04	17,770,806.36

Notes: All amount listed above exclude tax

(3) sale of goods and providing services

Related party	Nature of transaction	Amount in current period	Amount in prior period
Beijing Hangtou	Sale of product	3,504.42	
Ganzhou 9 Square	Product and service	23,850.44	
Gongqingcheng CATIC Culture Investment Company	Sale of product	461,064.03	398,249.10
9 Square Business Management	Sale of product	2,648.00	45,374.42
Shennan Circuit	Sale of material and providing	2,179,951.09	13,308,898.52

	service		
Grand Skylight Hotel Management Company	Sale of product	17,610.62	17,610.62
Grand Skylight Hotel	Others	2,180.53	2,180.53
Rainbow Company	Product and service	79,467,519.77	75,021,802.86
AVIC International	Sale of product	28,237.17	87,484.05
AVIC Jonhon	Sale of product	383,989.41	
China Aviation International Simulation	Sale of product	60,530.97	
AVIC Zhuhai	Sale of product	31,831.86	
CATIC	Sale of product	105,929.20	
CAIGA	Sale of product	1,319,881.42	
AVIC Capital	Sale of product	8,681.42	
CATIC Property Management	Share of Utilities and management fee	3,372,087.78	3,406,116.73
Shanghai Watch	Sale of product		1,839,880.53
Harbin Aircraft	Sale of product		36,398.23
AVIC	Sale of product		84,132.74
Hubei AVIC Ye Steel	Sale of product		17,212.39
AVIC Huadong Photoelectric	Sale of product		266,371.68
AVIC Supply and Distribution	Sale of product		41,504.42
AVIC Int'l Aero Development	Sale of product		140,884.96
AVIC Lutong	Sale of product		14,123.89
AVIC Jincheng Nanjing Institute	Sale of product		176,991.15
AVIC Drone	Sale of product		33,021.24
AVIC Xi'an Flight Institute	Sale of product		7,061.95
Total		87,469,498.13	94,945,300.01

Notes: All amount listed above exclude tax

(4) Related party lease

1) The Company as lessor

Lessee	Type of leased assets	Recognized rental income in current year	Recognized rental income in prior year
CATIC Property Management	Property	7,876,636.32	6,864,598.93
China Merchants Property OS	Property		1,981,713.13
CATIC City Investment	Property		285,138.58
AVIC Securities Company	Property	1,377,399.99	1,328,714.31
Rainbow Company	Property	931,939.92	1,428,372.22

Lessee	Type of leased assets	Recognized rental income in current year	Recognized rental income in prior year
CATIC 9 Square Asset Mgmt Company	Property		1,829,906.11
AVIC Security Service	Property	799,448.76	902,359.45
CATIC Guanlan Property	Property		142,569.29
CATIC Property	Property		286,326.66
Total		10,985,424.99	15,049,698.68

2) The Company as lessee

Lessor	Type of leased assets	Rental expenses charged in current year	Rental expenses charged in prior year
Ganzhou 9 Square Company	Property	951,348.60	913,674.48
Jiufang Business Management	Property	508,577.07	431,504.72
Kunshan Company	Property	137,142.84	111,047.63
Total		1,597,068.51	1,456,226.83

(5) Related party fund lending and borrowing

1) Borrowings from related parties

Related Party	Amount	starting date	Expiring date	Note
AVIC Finance Company	100,000,000.00	15 July 2021	27 July 2021	
AVIC Finance Company	100,000,000.00	14 December 2021	30 December 2021	
Total	200,000,000.00			

Note:

The Company paid interest to AVIC Finance Company amounted to RMB283,888.89 during the year.

(6) Remuneration to key management

Item	Amount in current period	Amount in prior period
Remuneration to key management	18,610,600.00	17,150,200.00

(7) Other related transactions

The year-end balance of the Company's cash that is deposited with AVIC Finance Company is RMB147,786,041.19. Interests received from the deposit during the year were RMB393,082.29.

(8) Receivables from and payables to related parties

1) Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Monetary fund					
	AVIC Finance	147,786,041.19		283,532,347.79	

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
	Company				
Accounts receivable					
	Ganzhou 9 Square	6,000.00	300.00		
	Gongqingcheng CATIC Culture Investment Company	10,536.96	303.21	58,834.76	
	Shennan Circuit	161,653.56	8,082.68	1,370,425.31	41,249.80
	Rainbow Company	3,958,751.41	244,056.19	9,489,446.66	285,632.34
	AVIC Jonhon	44,718.38	2,235.92		
	CAIGA	1,471,466.00	73,573.30		
	CATIC Property Management	0.30		40,947.74	
	AVIC Security Service			0.27	0.01
	Harbin Aircraft			20,130.00	605.91
Bill receivable					
	Shennan Circuit	308,698.46	15,434.92	5,083,025.01	0.00
	AVIC Jonhon	187,090.69	9,354.53		
	Shanxi Bocheng			50,000.00	2,500.00
Other receivables					
	Ganzhou 9 Square Company	192,064.00	9,603.20	189,432.77	8,126.67
	Gongqingcheng CATIC Culture Investment Company	5,500.00	275.00	7,462.00	320.12
	Jiufang Business Management	50,000.00	2,500.00	50,000.00	2,145.00
	Rainbow Company	1,051,020.00	52,551.00	1,064,073.00	45,648.73
	Kunshan Company	56,000.00	2,800.00	40,000.00	1,716.00
	AVIC	49.32	2.47	11,101.80	476.27
	AVIC Training Center			2,464.00	74.17

2) Payables to related parties

Item	Related party	Closing balance	Opening balance
Accounts payable			
	CATIC Building Company	41,283.89	
Advances from customer			
	Rainbow Company	16,537.50	
	AVIC Securities Company	123,540.00	

Item	Related party	Closing balance	Opening balance
	AVIC Huadong Photoelectric		10,500.00
Other payables:			
	Rainbow Company	198,661.82	257,490.98
	AVIC International	3,600.00	
	CATIC Property Management	2,307,322.31	1,717,018.14
	AVIC Securities Company	247,080.00	238,560.00
	CATIC Nanguang	34,430.13	
	CATIC Building Company	31,270.67	47,732.93
	AVIC Security Service	226,603.44	226,603.44
	China Merchants Property OS		442,407.92
	CATIC City Investment		309,732.00
	CATIC Property		51,014.88
	CATIC Guanlan Property		25,401.60

XII. Share-based payments

1. General information about share-based payments

Total equity instrument granted during current period	7,660,000.00
Total equity instrument exercised during current period	1,357,641.00
Total equity instruments voided in current period	
Scope of outstanding share option exercise price and remaining contract term	Not applicable
Scope of outstanding other equity instrument exercise price and remaining contract term.	

2. Equity settled share-based payment

Method of determining fair value of equity instrument on grant date	Close price of share on grant date
Evidence to determine the number of exercisable equity instrument	Term of employee service, status of target completion, and personal performance assessment
Reasons for significant difference between current period estimation and prior period estimation	Nil
Accumulated amount charged to capital reserve for equity settled share-based payment	22,118,131.72
Total expenses for equity settled share-based payment recognized in current period	12,106,904.32

XIII. Commitment and contingencies

1. Significant commitments

(1) Lease contract that already signed or prepared to fulfil and its financial effect

Refer to Note XV for details.

2. Contingencies on balance sheet date

The Company does not have material contingent events that need to be disclosed

XIV. Post balance sheet date events

1. Profit distribution

Profit distributions or dividends proposed	Cash dividend of RMB3.00 (tax inclusive) for every 10 shares held
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2. Other events after the balance sheet date

(1) Share repurchase

Pursuant to “The Resolution of Plan of Re-purchase B Shares” which was approved on the 2nd meeting of the 10th Board of Directors on 25 October 2021 and the 5th extraordinary shareholder’s meeting of 2021 on 30 November 2021, the Company repurchased B Shares in total of 3,176,824 shares as of 8 March 2022, accounted for 0.75% of the Company’s total shares. Total consideration paid was HKD 24,370,456.90 (excluding stamp duty and commission) .

(2) Financing and guarantee after the balance sheet date

1) On 8 March 2022, pursuant to approval by the 6th meeting the 10th Board of directors, the Company proposed to apply for financing facility of no more than RMB1,200 million by means of credit, pledge and mortgage in 2022. The resolution is pending for approval by the shareholder’s meeting.

2) On 8 March 2022, pursuant to approval by the 6th meeting the 10th Board of directors, the Company proposed to provide guarantee for the Company’s wholly-owned subsidiary to borrow from banks of no more than RMB600 million in 2022. The credit line is included in the actual usage limit of RMB1,200 million mentioned above. The resolution is waiting approval from the shareholder’s meeting.

(3) Others

As at 8 March 2022, the Company does not have other post-balance sheet events that need to be disclosed.

XV. Disclosure regarding lease

The Company as a lessor:

1. Lease activities

All lease of the Company is property lease, including short-term lease and other leased that recognized right-of-use asset and lease liabilities.

2. Short-term lease

Short-term leases are treated using simplified method. Short-term leases include lease term that is shorter than 12 month and no renew options attached, and leases that will be matured in 12 month after first adoption of CAS 21 – Lease. Short-term lease expenses charged to profit or loss was RMB1,370,973.78.

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

(1) Variable lease payment

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

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

In 2021, the amount of variable lease payments included in the current profit and loss was 122,274,272.28 yuan.

(2) Option to renew

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

(3) Option to discontinue lease

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

(4) Residual value guarantee

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

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

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

Disclosure as a lessor:

1. Lease activities

The Company's leases are all properties.

2. Risk management strategy of retaining rights over lease assets

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

XVI. Other material information

1. Segments

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

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

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

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

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

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

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

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

2. Other material events

As at 31 December 2021, the Company does not have other significant matters that require to disclose.

XVII. Notes to the parent company's financial statement

Note 1. Accounts receivables

1. Presented by aging

Aging	Closing balance	Opening balance
Within 1 year	132,980.92	1,633,186.27
Over 1 year	3,942.90	143,415.84
Subtotal	136,923.82	1,776,602.11
Less: bad debt provision	7,043.34	311,803.32
Total	129,880.48	1,464,798.79

2. Presentation by method of providing bad debt

Category	Closing balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable that provided expected credit losses on portfolio basis	136,923.82	100.00	7,043.34	5.14	129,880.48
Including: Receivable from other customers	136,923.82	100.00	7,043.34	5.14	129,880.48

Continued

Category	Opening balance		
	Carrying amount	Bad debt provision	Book value

	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable that provided expected credit losses on portfolio basis`	1,776,602.11	100.00	311,803.32	17.55	1,464,798.79
Including: Receivable from other customers	1,776,602.11	100.00	311,803.32	17.55	1,464,798.79

3. In the portfolio, accounts receivable with expected credit loss provided based on credit risk characteristic portfolio

(1) Portfolio of receivable from other customer

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	132,980.92	6,649.05	5.00
Over 1 year	3,942.90	394.29	10.00
Total	136,923.82	7,043.34	5.14

4. Movements of provision during the period

Category	Opening balance	Movements during the period				Closing balance
		Accrual	Recovered or reversed	Written-off	Other movements	
Accounts receivable that provided expected credit losses on single basis						
Accounts receivable that provided expected credit losses on portfolio basis`	311,803.32		304,759.98			7,043.34
Including: Receivable from other customers	311,803.32		304,759.98			7,043.34

5. No actual write-off of accounts receivable during the current period.

6. Top 5 receivable accounts

Name	Closing balance	Proportion in total closing balance of accounts receivable (%)	Bad debt provision
Top 5 receivables accounts in total	107,840.25	78.76	5,557.26

Note 2. Other receivables

1. Presentation of other receivables by aging

Aging	Closing balance	Opening balance
Within 1 year	717,341,673.50	621,369,363.48
1 - 2 years		177,475.90
2- 3 years		11,697.43

Aging	Closing balance	Opening balance
Over 3 years	40,050.00	40,050.00
Subtotal	717,381,723.50	621,598,586.81
Less: bad debt provision	198,584.50	85,906.12
Total	717,183,139.00	621,512,680.69

2. Presented by nature

Nature	Closing balance	Opening balance
Related party in scope of consolidation	713,813,300.99	620,792,324.27
Security deposit	3,117,526.90	217,525.90
Others	450,895.61	588,736.64
Total	717,381,723.50	621,598,586.81

3. Presented according to three stages of financial assets impairment

Item	Closing balance			Opening balance		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
First stage	717,381,723.50	198,584.50	717,183,139.00	621,598,586.81	85,906.12	621,512,680.69
Second stage						
Third stage						
Total	717,381,723.50	198,584.50	717,183,139.00	621,598,586.81	85,906.12	621,512,680.69

4. Presented by bad debt provision method

Category	Closing balance					
	Carrying amount		Bad debt provision		Book value	
	Amount	Percentage (%)	Amount	ECL rate (%)		
Other receivables that provided expected credit losses on single basis						
Other receivables that provided expected credit losses on portfolio basis	717,381,723.50	100.00	198,584.50	0.03	717,183,139.00	
Including: Security deposit portfolio	3,117,526.90	0.44	193,923.85	6.22	2,923,603.05	
Social security payment on-behalf portfolio	357,682.66	0.05			357,682.66	
Receivables from related parties within scope of consolidation	713,813,300.99	99.50			713,813,300.99	
Portfolio of others	93,212.95	0.01	4,660.65	5.00	88,552.30	
Total	717,381,723.50	100.00	198,584.50	0.03	717,183,139.00	

Continued

Category	Opening balance		
	Carrying amount	Bad debt provision	Book value

	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis					
Other receivables that provided expected credit losses on portfolio basis	621,598,586.81	100.00	85,906.12	0.01	621,512,680.69
Including: Security deposit portfolio	217,525.90	0.03	45,116.69	20.74	172,409.21
Social security payment on-behalf portfolio	392,074.21	0.06			392,074.21
Receivables from related parties within scope of consolidation	620,792,324.27	99.88			620,792,324.27
Portfolio of others	196,662.43	0.03	40,789.43	20.74	155,873.00
Total	621,598,586.81	100.00	85,906.12	0.01	621,512,680.69

5. In the portfolio, other receivables with expected credit loss provided based on credit risk characteristic portfolio

(1) Security deposit portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	3,077,476.90	153,873.85	5.00
1 - 2 years			
2- 3 years			
Over 3 years	40,050.00	40,050.00	100.00
Total	3,117,526.90	193,923.85	

(2) Social security payment on-behalf portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	357,682.66		

(3) Receivables from related parties within scope of consolidation

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	713,813,300.99		

(4) Portfolio of others

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	93,212.95	4,660.65	5.00

6. Bad debt provision status

Bad debt provision	First stage	Second stage	Third stage	Total
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	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Opening balance	85,906.12			85,906.12
Opening balance movements in current period				
— Transfer into the second stage				
— Transfer into the third stage				
— Reverse back to the second stage				
— Reverse back to the first stage				
Accrual during the period	148,807.16			148,807.16
Reversed during the period	36,128.78			36,128.78
Recovered during the period				
Written-off during the period				
Other movements				
Closing balance	198,584.50			198,584.50

7. No other receivables were written-off during the period.

8. Top 5 other receivable accounts

Name	Closing balance	Proportion to closing balance of other receivables (%)	Bad debt provision Closing balance
Top 5 other receivables in total	713,813,300.99	99.50	

Note 3. Long-term equity investment

Nature	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Investment in subsidiaries	1,486,912,339.72		1,486,912,339.72	1,478,014,522.36		1,478,014,522.36
Investment in associates	55,155,605.31		55,155,605.31	51,400,665.92		51,400,665.92
Total	1,542,067,945.03		1,542,067,945.03	1,529,415,188.28		1,529,415,188.28

1. Investment in subsidiaries

Investee	Opening balance	Addition/new investment	Withdrawn	Closing balance	Provision accrued in current period	Closing balance of provision
Shenzhen Harmony World Watch Center Co., Ltd.	604,067,211.20	3,617,300.95		607,684,512.15		
Shenzhen Harmony E-commerce Co., Ltd.	11,684,484.39			11,684,484.39		
Shenzhen FIYTA Precision Technology	99,800,505.05	1,448,702.83		101,249,207.88		

Investee	Opening balance	Addition/new investment	Withdrawn	Closing balance	Provision accrued in current period	Closing balance of provision
Co., Ltd.						
Shenzhen FIYTA Technology Development Co., Ltd.	50,245,552.53	529,670.23		50,775,222.76		
FIYTA (Hong Kong) Ltd.	137,737,520.00			137,737,520.00		
TEMPORAL (Shenzhen) Co., Ltd.	5,000,000.00			5,000,000.00		
FIYTA Sales Co., Ltd.	453,130,819.72	2,660,752.60		455,791,572.32		
Liaoning Hengdarui Commercial & Trade Co., Ltd.	36,867,843.96			36,867,843.96		
Emile Choureit Timing (Shenzhen) Ltd.	79,480,585.51	641,390.75		80,121,976.26		
Total	1,478,014,522.36	8,897,817.36		1,486,912,339.72		

2. Investment in associates

Investee	Opening balance	Movements in current period			
		Addition/new investment	Withdrawn	Investment gain recognized under equity method	Adjustment to OCI
Associates					
Shanghai Watch	51,400,665.92			3,754,939.39	

Continued

Investee	Movements in current period				Closing balance	Closing balance of provision
	Other equity movements	Cash dividends declared or distribution of profit	Impairment provision accrual	Others		
Associates						
Shanghai Watch					55,155,605.31	

Note 4. Operating income and operating cost

Item	Amount in current period		Amount in prior period	
	Revenue	Cost	Revenue	Cost
Main business	175,936,431.09	38,852,252.32	134,821,552.25	36,497,097.45
Other business	3,519,281.62		2,560,243.70	

Note 5. Investment gain

Item	Amount in current period	Amount in prior period
Gain from long-term equity investments accounted for using equity method	3,754,939.39	4,976,828.07
Gain from long-term equity investments accounted for using cost method	259,918,496.56	100,000,000.00

Item	Amount in current period	Amount in prior period
Total	263,673,435.95	104,976,828.07

XVIII. Supplementary information

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

Item	Amount	Note
Disposal gain or loss of non-current assets	730,134.87	
Overridden approval, or without official approval document, or incidental tax return or exemption		
Government grants included in current profit or loss (except for the fixed or quantitative government grants, enjoyed in a consecutive way, which closely related to the enterprise businesses and according to nation policies)	23,476,186.50	
Charges for the possessions of funds collected from non-monetary enterprises		
Gain from investment in subsidiaries, joint venture and cooperative enterprises when cost of investment is less than the profit incurred in identifiable net asset fair value of invested unit when investment		
Profit and loss of non-monetary assets exchange		
Profit and loss from entrusting others to invest or manage assets		
Asset impairment provision accrued due to force majeure such as natural disasters		
Profit and loss of debt restructuring		
Enterprise restructuring expenses, such as expenses for arranging employees, integrating cost		
Profit and loss over fair value part accrued in transactions of unreasonable transaction price		
Current net profit and loss of subsidiaries from business combination under common control from the opening period to combination date		
Profit and loss incurred contingent matters unrelated to normal operating business		
Except for effective hedging business related to normal operating business, profit and loss from changes in fair value incurred in financial assets and financial liabilities, and the investment gain from disposal of financial assets, financial liabilities and available-for-sale financial assets		
Impairment provision reversal of accounts receivable under standalone impairment test	2,225,653.32	
Profit and loss obtained in external entrusting loans		
Profit and loss incurred in fair value change of investment property subsequently measured in fair value mode		
Influence on current profit and loss caused by one-off adjustment according to requirements of laws and regulations about taxation and accounting		
Income from trustee fee obtained by trusting operation		
Other non-operating income and expenses other than the above items	-3,058,731.52	
Profit and loss items pursuant to the definition of non-recurring profit and loss		
Effect of income tax of non-recurring profit or loss	4,951,715.05	
Less: Effect of non-recurring profit or losses attributable to minority shareholders (after tax)		
Total	18,421,528.12	

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

Profit of the reporting period	Weighted average ROE %	EPS	
		Basic EPS	Diluted EPS

Profit of the reporting period	Weighted average ROE %	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	13.39	0.90	0.90
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	12.76	0.86	0.86

FIYTA Precision Technology Co., Ltd.
Board of Directors
March 10, 2022