

FIYTA Precision Technology Co., Ltd.

2020 Annual Report

March, 2021

Section 1 Important Notice, Table of Contents and Definition

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

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

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

Any perspective description, such as 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 risk factors possibly to be confronted with and the countermeasures in the Company's future development prospect in Section 4 Discussion and Analysis of the Management

The profit distribution preplan reviewed and approved by the Board of Directors is summarized as follows: With the total capital stock as at the date of record as the base, the Company would distribute cash dividend at the rate of CNY 4 for every 10 shares (with tax inclusive), bonus share at the rate of 0 share for every 10 shares (with tax inclusive) to the whole shareholders and shall capitalize no reserve.

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Definitions

Terms to be defined	Refers to	Definition
This Company, the Company or FIYTA	Refers to	FIYTA Precision Technology Co., Ltd.
AVIC	Refers to	Aviation Industry Corporation of China, Ltd.
AVIC International	Refers to	AVIC International Holding Corporation
AVIC International Shenzhen	Refers to	AVIC International Shenzhen Co., Ltd.
AVIC IHL	Refers to	AVIC International Holdings 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
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	Huang Yongfeng		
Registered address:	FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen		
Postal Code of the Registered Address	518057		
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	Chen Zhuo	Xiong Yaojia
Liaison Address	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	18th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
Tel.	0755-86013669	0755-86013669
Fax	0755-83348369	0755-83348369
Email	investor@fiyta.com.cn	investor@fiyta.com.cn

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

Names of the media chosen by the Company for disclosing information	Securities Times and Hong Kong Commercial Daily
Internet Web Site Designated by China Securities Regulatory Commission for Publishing the annual report:	www.cninfo.com.cn

Place where the Company's Annual Report was prepared and is placed for inquiry	Company Planning & Operation Department
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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	Grant Thornton LLP
Office address	5/F, SciTech Building, No.22 JianGuoMenWai Avenue, Chaoyang District, Beijing
Names of the CPAs as the authorized signatories	Dong Xu, Meng Junfeng

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

	2020	2019	Increase/decrease in the reporting year over the previous year	2018
Turnover in CNY	4,243,439,952.59	3,704,210,734.90	14.56%	3,400,450,599.90
Net profit attributable to the Company's shareholders, in CNY	294,115,156.04	215,909,014.15	36.22%	183,835,095.29
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	269,095,012.41	199,678,661.09	34.76%	162,758,061.00
Net cash flows arising from operating activities, in CNY	378,210,505.87	444,820,768.61	-14.97%	331,627,789.62
Basic earning per share (CNY/share)	0.6764	0.4943	36.84%	0.4190
Diluted earning per share (CNY/share)	0.6764	0.4943	36.84%	0.4190
Return on equity, weighted average (%)	10.78%	8.21%	2.57%	7.30%

	End of 2020	End of 2019	Increase/decrease of the end of the reporting year over the end of the previous year	End of 2018
Total assets, in CNY	4,018,712,700.18	3,760,923,285.37	6.85%	3,599,691,650.26
Net assets attributable to the Company's shareholders (owner's equity attributable to the Company's shareholders, in CNY)	2,799,948,388.09	2,654,533,766.99	5.48%	2,570,134,782.90

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 according to both 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	588,361,057.06	993,473,657.97	1,362,598,720.97	1,299,006,516.59
Net profit attributable to the Company's shareholders	-12,974,795.53	90,713,701.83	137,048,377.83	79,327,871.91
Net profit less the non-recurring profit/loss attributable to the Company's shareholders	-13,738,773.72	82,408,251.17	129,723,577.01	70,701,957.95
Net cash flows arising from operating activities	-106,747,751.88	210,392,987.15	112,503,592.52	162,061,678.08

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 2020	Amount in 2019	Amount in 2018	Note
Gain/loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets.	-369,857.30	-926,118.60	-180,302.24	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's business and conform with the national standard amount or quantity)	30,634,128.57	18,428,906.18	19,375,618.48	
Reversal of the impairment provision for receivables and contract assets which have been tested individually for impairment	163,925.30	0.00	7,533,121.86	
Non-operating income and expenses other than the aforesaid items	1,556,300.78	3,353,916.43	792,842.56	
Other gains and losses in compliance with the definition of non-recurring gains and losses.	0.00			
Less: Amount affected by the income tax	6,964,353.72	4,626,350.95	6,444,246.37	
Total	25,020,143.63	16,230,353.06	21,077,034.29	--

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

Inapplicable

Section 3 Business Summary

I. Principal business the Company operated in the reporting period

(1) Principal Business and Operation Model

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

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

In 1997, in order to grasp the opportunities in the domestic famous watch market and accelerate the breakthrough of its own brand, the Company developed the retail business of famous watches. As one of the first explorers of brand watch retail chain business, the Company has been focusing on strengthening the construction of both brand and channel resources, refining operations, and has established stable cooperation with international outstanding famous watch brands and domestic high-end channels, which is contributing to the company's revenue and profit while providing a source of growth, it has also established a stable base for the growth and development of its own brands.

Under the general background of industrial upgrading and intelligent manufacturing, the Company relies on high-end precision manufacturing technology and industrial accumulation, based on the development principle of "technology being homologous, the industry being same-rooted and value being co-directional", and extends the development of precision technology business and smart wearable business. At present, these two businesses have begun to take shape.

(2) Development Status of the Industry and the Company's Position Therein

Watches bear both characteristics of precision technology and fashion: high-end watch-making is supported by precision technology, material technology and craftsmanship as the core. In addition, it is necessary to meet consumers' demands for brands, aesthetics and artistic and cultural connotation. The global watch industry has developed for more than two hundred years, and it has a long history. Technological innovation and design creativity have always pushed the brand forward.

Globally, the high-end luxury watch market is mainly occupied by the Swiss watch brands. Middle-end and fashion watches mainly consist of European and American brands, Japanese brands and domestic brands. In recent years, smart watches are developing rapidly, and have won the favor of tech-savvy, sports-savvy and fashion-savvy citizens.

Today, the increase in national disposable income, the people's yearning for a better life, and the demand for high-quality life are driving consumption upgrading; in addition, with the effective advancement of tariff reduction, China's domestic watch consumer market is ushering in a new development opportunity and the Company keeps optimistic about the market development potential. In the past year 2020, affected by COVID-19, the global watch industry experienced a severe test of growth pressure. With China's effective control over the pandemic, the rapid growth of luxury goods consumption, and the rise of duty-free shopping on Hainan offshore island, China outshone all the other countries in the world in performance of the high-end luxury watch retail industry. According to the data disclosed by the Federation of the Swiss Watch Industry FH, the export volume of Swiss watches in 2020 dropped by 21.8% year-on-year, but the export to mainland China began to increase commencing from June, 2020 with a year-on-year growth by 20%. This was the first time for mainland China to be the world's largest market of Swiss watches. These data are the best evidence of the strong consumption power of Chinese consumers.

The company has focused on the watch industry. After years of hard work, it has grown into the flagship enterprise of Chinese watches, and has been ranked first in China's watch industry for many consecutive years. The Brand "FIYTA" is one of China's most well-known watch brands that have grown up under the market economy after China's reform and opening-up. The Company has adhered to the original intention of "Big Country Brand", relying on precision manufacturing technology, brand perception and deep cultivation of channels to promote continuous brand breakthroughs, and its sales scale ranks among the top in the industry. In 2017, the Brand was selected as the unique watch brand in the country in the "Made-in-China" Brand Plan by the Ministry of Commerce; "FIYTA won the "China Grand Awards for Industry" in 2018, and was honorably put on the "70 Top Brands for the 70th Anniversary of the Founding of New China" List in 2019, and honorably won the "People's Ingenuity Brand Award 2019". 2020, the Company honorably won the title of "the 40 Brand Makers in the Past 40 Years of Shenzhen"; Sun Lei, the Company's chief designer, won the title of "40 Persons of Innovation and Entrepreneurship and Model Worker." After more than two decades' development, Harmony World Watches has been operating brand watch retail business in more than 60 cities across the country and has nearly 200 chain stores. It has established abundant brand and channel resources and good operating ability, and its market share ranks domestically forefront in the watch retail industry.

II. Significant Movements in Prime Assets

1. Significant Movements in Prime Assets

Major assets	Note to the significant changes
Equity assets	Inapplicable
Fixed assets	Inapplicable
Intangible assets	Inapplicable
Construction-in-process	Inapplicable

2. Major Overseas Assets

Inapplicable

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 watch-making 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 provided a continuous 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 base work logic of channel operation.

In recent years, the Company has comprehensively promoted digital construction, 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 watch-making capabilities, including self-made driving units of watches and key components manufacturing, space watch research and development and high-end watch-making 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 558 patents and been granted 509 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.

Section 4 Discussion and Analysis of the Operation

I. General

2020 is an extraordinary year. The sudden pandemics of COVID-19 has brought a huge impact to the Company's business. The Company suffered a quarterly loss in its operation result in the first quarter. In the face of unprecedented challenge, the Company actively responded and quickly launched the "Wartime Command System", mobilized all employees to prevent and control the epidemic, and at the same time, fully promoted the operational counterattack, controlled costs and expenses, and captured market opportunity through innovations such as live video and community marketing, accelerated digital transformation, and established close relationships with customers. With gradual recovery of the market, the Company's operating performances turned better and better continuously. In the second half year, the Company seized the opportunity of the explosive growth of the high-end luxury watch business after the epidemic in the country was basically brought under control, actively deployed new growth opportunities in Hainan's tax-free channels, and continued to accelerate internal capacity building and the cultivation of new growth points. As a result, the Company realized a big growth on year-on-year basis in the whole year. In the reporting period, the Company realized revenue amounting to CNY 4243.44 million with year-on-year growth of 14.56% and realized total profit amounting to CNY 373.4606 million with a year-on-year growth of 35.20%. The Company has also made further breakthrough in high-quality development with the efficiency and performance indicator rapidly improved, the return on net assets has increased to 10.78% with the year-on-year growth of 2.57%, and the inventory turnover rate has reached 1.35 times, an increase of 0.17 times over the previous year. With the joint efforts of the team, the Company has achieved sustained and rapid growth in operating profit for 4 consecutive years.

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

I. Promoting the epidemic prevention and control work steadily, and having achieve "zero suspicion and zero diagnosis" throughout the year

After the outbreak of COVID-19, the Company's management team took the lead in commanding, followed the overall deployment of the CPC Central Committee and authorities, refined the deployment of prevention and control strategies based on the situation at different stages of epidemic prevention and control, implemented responsibilities at all levels, and achieved "zero suspicion and zero diagnosis" prevention and control performance, implemented the obligation and responsibilities of a central enterprise with practical actions, and ensured the safety of employees' lives and the Company's assets.

II. Activating the "wartime command system" and having demonstrated strong "combat power"

During the reporting period, in the face of the severe market environment, the Company established a "wartime command system", quickly adjusted the status of the team, actively organized the resumption of work and production, strictly controlled internal costs, lean management, and seized market opportunity externally and actively expanded community marketing through WeChat, live video and other methods, adapted itself to the market situation and competitive situation in an innovative way after the epidemic, and promoted business breakthrough through multiple channels and multi ways. From the basic zero revenue in February to the profit-making in the main business in March, the Company achieved year-on-year profit growth in April, hit a new high in monthly revenue in August. The Company achieved one step at a time, with strong combat effectiveness, it has achieved growth against trend in operating performance in a down-to-earth way, which has demonstrated powerful market recovery and adjustment and adaptation capability, and further improved the ability of the team.

III. Continuously tamping the basic management and persistently consolidating the core competition advantages

During the reporting period, the Company continued to build professional capabilities around the "brand power, product power, and channel power" to strengthen the advantage of the core competition.

During the reporting period, the Company continued to build professional capabilities around the “brand power, product power, and channel power” to strengthen the advantage of the core competitiveness. Under the severe situation of the off-line sales once returning to zero for a time, the Company deepened the integration of products and sales. With the brand of “FIYTA”, the livestreaming hosted by “Gao Yuanyuan X Viya” set the highest sales record of watch category in Tmall single store livestreaming; the Company focused on improvement of product efficiency with the core series. The new products, such as Four-Leaf clover and Xtreme Series, were launched in the market as scheduled. Professional series products such as “Mars-500” and “Attack-11” are favored by consumers; the Company promoted the implementation of the “Excellent Operation, Excellent Sales” project in a solid way; and the per unit yield of self-operated stores continued to increase. The sales began to rebound steadily in the third quarter. HARMONY World Watch Retail seized the opportunity, continuously deepened and refined store operations. In the second quarter, it began to achieve year-on-year sales growth, with an average monthly growth of more than 50%.

IV. Continuously promoting channel upgrading and reserving the core kinetic energy for future development

During the reporting period, the Company paid close attention to changes in consumption trends and market conditions, and continued to promote channel optimization, adjustment and upgrading. The retail business of “HARMONY” World Watches Retail focused on core cities and core business area, systematically counted future opportunities, drew a strategic channel map, promoted channel entry in an orderly manner, and further increased the number of high-end brand accounts. While maintaining endogenous growth, it was also actively exploring extensional expansion model and accelerated the coverage of target channels. “FIYTA” Brand reshaped the image of the terminal and actively promoted the entry of shopping malls and also achieved good results. During the reporting period, the Company actively seized the opportunity in Hainan’s existing duty-free channel market, accelerated the entry and sales of its own brands, and actively explored channel development opportunities.

V. Breakthrough in digital transformation and initial results of membership operation

During the reporting period, the Company was persistently building a customer-centered digital operation system. The full implementation and popularization of the “HARMONY” Digital Retail System effectively promoted customer value mining and operational efficiency improvement. The on-line and off-line service interactions were realized. Potential customer transactions and repurchases of regular customers made important contribution to the growth of sales throughout the year. During the Pandemic of COVID-19, the system has provided a strong guarantee for making up the income gap. The own-brand membership management system was also officially launched in September and full coverage of all self-run stores both online and offline was realized, which laid the foundation for in-depth operations with focus on “people, goods, and markets”.

VI. Accelerating the cultivation of new growth points and transforming and upgrading to high-end precision technology

During the reporting period, the Company continued to promote the development of precision technology business and smart wearables business. The precision technology business accelerated the expansion of the medical and aerospace markets on the basis of deep cultivating optical communications and lasers, and initiated cooperation with core customers in related fields. The revenue increased by more than 50% year-on-year; the smart wearable business completed its own R&D team formation. The new products of “Little Red Watch” and “Black Knight” came into the market smoothly; more than 100,000 smart watches were sold during the “Double Eleven” activities.

Balance sheet items

Items	Ending balance	Opening balance	Variation proportion	Cause of the movement
Notes receivable	48,192,442.15	10,596,431.31	354.80%	Mainly due to the influence from the growth of the precision technology business scale and the bill payment term.
Advance payment for goods	16,612,773.76	10,847,962.28	53.14%	Mainly due to the increase of advance payment for purchases for HARMONY World Watch Retail
Other non-current assets	13,536,307.13	7,373,248.48	83.59%	Mainly due to the increase of advance payment for refurbishment for HARMONY World Watch Retail
Notes payable	3,581,360.00	-	-	Mainly due to the impact of the new bill payable business in the precision technology business in the reporting year.
Advance receipts	9,991,850.67	23,433,463.57	-57.36%	Mainly due to the impact of the adjustment of presentation in accordance with the requirements of the new revenue standard in the reporting year.
Contract liabilities	18,213,396.49	-	-	Mainly due to the impact of the adjustment of presentation in accordance with the requirements of the new revenue standard in the reporting year.
Payroll payable to the employees	132,853,462.20	82,602,845.67	60.83%	Mainly due to the growth in performance in the reporting year and the issuance of excess incentives.
Payable taxes	68,925,271.90	24,064,803.00	186.42%	Mainly due to the increase in taxes and fees payable due to the increase in income in the reporting year and the greater impact

				of retainment in the same period last year.
Dividends payable	1,639,513.77	848,233.27	93.29%	Mainly due to the increase in dividends payable in the equity incentive part of the current year.
Other current liabilities	2,299,755.09	-	-	Mainly due to the impact of the tax part of the contract liabilities in accordance with the requirements of the new income standards in the reporting year.
Deferred income tax liability	3,067,834.55	1,256,242.49	144.21%	Mainly due to the impact of a one-off pre-tax deduction of fixed assets.
Other comprehensive income	976,871.41	-940,209.09	203.90%	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
Interest income	4,941,334.19	1,956,334.31	152.58%	Mainly due to the impact of the increase in the stock of monetary funds in the current year.
Other income	25,170,397.09	18,428,906.18	36.58%	Mainly due to the increase in government subsidies received in the reporting year.
Return on Investment	5,072,577.64	1,787,907.10	183.72%	Mainly due to the influence from the profit increase of Shanghai Watch Industry in the current year.
Loss from impairment of credit	-9,096,922.74	-16,640,961.07	45.33%	Mainly due to the decrease in bad debt provision for individual accounts receivable in the current year.
Loss from impairment of assets	-15,426,526.41	-4,295,134.47	-259.16%	Mainly due to the increase in the price falling of the proprietary-brand inventory.
Income from disposal of assets	-369,857.30	-926,118.60	60.06%	Mainly due to big loss from the auxiliary facilities and equipment of Xi'an FIYTA Building in the same period last year.
Non-operating income	3,111,413.64	4,754,105.30	-34.55%	Mainly due to the greater impact of the adjustment of the compensation received by some of HARMONY's stores in the same period last year.
Income tax expenses	79,338,516.60	60,324,629.25	31.52%	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
Rebated taxes received	1,849,055.57	5,510,592.39	-66.45%	Mainly due to the reduction in export tax rebates caused by the reduction in export business affected by the overseas pandemic in the current year.
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	150,556.62	626,107.64	-75.95%	Mainly due to decrease of the fixed assets disposed in the current year.
Cash received from absorbing investment	-	18,585,600.00	-100.00%	Mainly due to the implementation of equity incentives in the same period and received subscription payments last year, but none in the current year.
Cash paid for other financing activities	72,317,669.93	53,117,325.02	36.15%	Mainly due increase of B-shares repurchased.
Influence of the change of exchange rate on the cash and cash equivalent	-2,810,603.32	468,366.93	-700.09%	Mainly due to the influence of the change of exchange rate.

II. Analysis on the Principal Business

1. General

Refer to the relevant details of "I. General" of "Business Discussion and Analysis".

2. Revenue and Costs

(1) Composition of Revenues

In CNY

	2020		2019		Year-on-year increase/decrease
	Amount	Proportion in the revenue	Amount	Proportion in the revenue	
Total operating revenue	4,243,439,952.59	100%	3,704,210,734.90	100%	14.56%
Based on sectors					
Watches	3,970,903,426.36	93.58%	3,463,608,966.45	93.50%	14.65%
Precision technology business	138,806,456.76	3.27%	91,341,945.34	2.47%	51.96%
Leases	117,282,310.32	2.76%	132,005,033.07	3.56%	-11.15%
Others	16,447,759.15	0.39%	17,254,790.04	0.47%	-4.68%
Based on products					
Watch brand business	970,035,756.22	22.86%	1,110,678,489.04	29.98%	-12.66%
Watch retail and services	3,000,867,670.14	70.72%	2,352,930,477.41	63.52%	27.54%
Precision technology business	138,806,456.76	3.27%	91,341,945.34	2.47%	51.96%
Leases	117,282,310.32	2.76%	132,005,033.07	3.56%	-11.15%
Others	16,447,759.15	0.39%	17,254,790.04	0.47%	-4.68%
Based on regions					
South China	2,198,531,106.33	51.81%	1,823,927,995.51	49.24%	20.54%
Northwest China	601,805,121.89	14.18%	586,521,631.97	15.83%	2.61%
Northeast China	198,893,856.16	4.69%	204,386,707.45	5.52%	-2.69%
East China	561,941,020.36	13.24%	502,541,659.80	13.57%	11.82%
Northeast China	233,806,759.67	5.51%	230,662,172.16	6.23%	1.36%
Southwest China	448,462,088.18	10.57%	356,170,568.01	9.62%	25.91%

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

In CNY

	Turnover	Operating cost	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	Year-on-year increase/decrease of operating costs over the previous year	Year-on-year increase/decrease of gross profit rate over the previous year
Based on sectors						
Watches	3,970,903,426.36	2,478,548,735.40	37.58%	14.65%	17.47%	-1.50%
Precision technology business	138,806,456.76	113,748,608.41	18.05%	51.96%	54.30%	-1.24%
Leases	117,282,310.32	40,571,940.35	65.41%	-11.15%	43.98%	-13.25%
Others	16,447,759.15	6,360,252.90	61.33%	-4.68%	19.26%	-7.76%

Based on products						
Watch brand business	970,035,756.22	279,990,343.43	71.14%	-12.66%	-15.40%	0.93%
Watch retail and services	3,000,867,670.14	2,198,558,391.97	26.74%	27.54%	23.58%	2.34%
Precision technology business	138,806,456.76	113,748,608.41	18.05%	51.96%	54.30%	-1.24%
Leases	117,282,310.32	40,571,940.35	65.41%	-11.15%	43.98%	-13.25%
Others	16,447,759.15	6,360,252.90	61.33%	-4.68%	19.26%	-7.76%
Based on regions						
South China	2,198,531,106.33	1,379,454,259.35	37.26%	20.54%	25.74%	-2.60%
Northwest China	601,805,121.89	369,787,266.01	38.55%	2.61%	8.66%	-3.42%
Northeast China	198,893,856.16	116,170,996.21	41.59%	-2.69%	-1.69%	-0.59%
East China	561,941,020.36	349,031,725.16	37.89%	11.82%	24.51%	-6.33%
Northeast China	233,806,759.67	161,639,375.02	30.87%	1.36%	-1.07%	1.70%
Southwest China	448,462,088.18	263,145,915.33	41.32%	25.91%	20.72%	2.52%

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	2020	2019	Year-on-year increase/decrease
Brand watches	Sales volume	pcs	820,987	1,027,428	-20.09%
	Output	pcs	793,206	783,328	1.26%
	Inventory	pcs	1,064,881	1,092,662	-2.54%

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

Inapplicable

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

Inapplicable

(5) Composition of Operating Costs

Classified based on sectors and products

In CNY

Classified based on sectors	Items	2020		2019		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watches	Goods purchase cost	2,198,558,391.97	83.30%	1,779,026,456.80	80.24%	23.58%
	Raw materials	250,957,959.33	9.51%	299,121,692.67	13.49%	-16.10%
	Labor costs	22,639,961.48	0.86%	25,707,020.23	1.16%	-11.93%
	Depreciation expense	1,290,580.38	0.05%	920,871.70	0.04%	40.15%
	Water and electricity fees	576,614.61	0.02%	463,093.67	0.02%	24.51%
	Rent	198,298.53	0.01%	474,202.58	0.02%	-58.18%
	Others	4,326,929.11	0.16%	4,265,462.80	0.19%	1.44%
Precision technology business	Raw materials	89,561,279.27	3.39%	53,786,506.65	2.43%	66.51%
	Labor costs	15,492,911.02	0.59%	13,444,932.42	0.61%	15.23%
	Depreciation expense	1,715,869.90	0.07%	1,478,005.14	0.07%	16.09%
	Water and electricity fees	936,944.23	0.04%	760,873.00	0.03%	23.14%
	Rent	111,201.56	0.00%	11,389.02	0.00%	876.39%
	Others	5,930,402.44	0.22%	4,235,897.00	0.19%	40.00%
Leases	Depreciation expense	16,013,313.84	0.61%	14,296,604.24	0.64%	12.01%
	Labor costs	2,642,580.58	0.10%	3,012,991.57	0.14%	-12.29%
	Others	21,916,045.93	0.83%	10,868,573.83	0.49%	101.65%
Others	Purchase cost	6,360,252.90	0.24%	5,333,158.72	0.24%	19.26%

In CNY

Classified based on products	Items	2020		2019		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watch brand business	Raw materials	250,957,959.33	9.51%	299,121,692.67	13.49%	-16.10%
	Labor costs	22,639,961.48	0.86%	25,707,020.23	1.16%	-11.93%
	Depreciation expense	1,290,580.38	0.05%	920,871.70	0.04%	40.15%
	Water and electricity fees	576,614.61	0.02%	463,093.67	0.02%	24.51%
	Rent	198,298.53	0.01%	474,202.58	0.02%	-58.18%
	Others	4,326,929.11	0.16%	4,265,462.80	0.19%	1.44%
Watch retail and services	Goods purchase cost	2,198,558,391.97	83.30%	1,779,026,456.80	80.24%	23.58%
Precision technology	Raw materials	89,561,279.27	3.39%	53,786,506.65	2.43%	66.51%

business	Labor costs	15,492,911.02	0.59%	13,444,932.42	0.61%	15.23%
	Depreciation expense	1,715,869.90	0.07%	1,478,005.14	0.07%	16.09%
	Water and electricity fees	936,944.23	0.04%	760,873.00	0.03%	23.14%
	Rent	111,201.56	0.00%	11,389.02	0.00%	876.39%
	Others	5,930,402.44	0.22%	4,235,897.00	0.19%	40.00%
Leases	Depreciation expense	16,013,313.84	0.61%	14,296,604.24	0.64%	12.01%
	Labor costs	2,642,580.58	0.10%	3,012,991.57	0.14%	-12.29%
	Others	21,916,045.93	0.83%	10,868,573.83	0.49%	101.65%
Others	Purchase cost	6,360,252.90	0.24%	5,333,158.72	0.24%	19.26%

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

No

(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	793,076,242.10
Proportion of the total sales to the top five customers in the total sales of the year	18.69%
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	316,092,550.43	7.45%
2	No. 2	150,789,882.00	3.55%
3	No. 3	116,465,800.58	2.74%
4	No. 4	105,902,072.12	2.50%
5	No. 5	103,825,936.97	2.45%
Total	--	793,076,242.10	18.69%

Other Information about the major customers

Inapplicable

Major suppliers

Total amount of purchase from top five suppliers, in CNY	1,901,830,932.90
Proportion of the purchase amount from the top five suppliers in the Company's total purchase amount	68.49%
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	835,143,338.28	30.08%
2	No. 2	394,122,512.72	14.19%
3	No. 3	252,040,548.41	9.08%
4	No. 4	233,222,529.80	8.40%
5	No. 5	187,302,003.69	6.75%
Total	--	1,901,830,932.90	68.49%

Other information about the major suppliers

Inapplicable

3. Expenses

In CNY

	2020	2019	Year-on-year increase/decrease	Note to significant changes
Sales costs	870,713,899.32	865,792,078.61	0.57%	Inapplicable
Administrative expenses	256,559,127.23	240,619,989.04	6.62%	Inapplicable
Financial expenses	33,449,276.41	32,815,277.57	1.93%	Inapplicable
R & D expenditures	51,489,323.49	45,057,740.25	14.27%	Inapplicable

4. Investment in R & D

The Company's R&D investment is mainly to consolidate and strengthen the Company's advantages in independent technology innovation and core capabilities in the field of watches. The Company continuously increased investment in personnel, equipment, raw materials, etc. for such key technology fields as driving units of mechanical watches, industrial design, smart watches, research on application of new materials, etc. and space watches and had made a number of scientific research achievements.

In 2020, the Company's total investment in R & D amounted to CNY 51,489,323.49, taking 1.84% of the net assets as audited in the most recent period and taking 1.21% of the operation revenue as audited in the most recent period. In 2020, the Company applied for 54 patents for invention, and 22 utility model patents and 32 design patents; was accumulatively granted 3 patents for invention, 16 utility model patents and 32 design patents. During the reporting period, the Company led and participated in the formulation and revision of 3 international standards, 2 national standards, and translation of 1 national standard in foreign language, and published 3 international standards, 3 national standards, and 2 industry standards which the Company led and participated in the formulation and revision of. Based on

the accumulation of innovation mechanism, innovation ability, innovation talents and innovation achievements, the Company has been recognized as an enterprise with superiority in intellectual property at national level in addition to the titles of the "National Enterprise Technology Center for Accreditation", "National Industrial Design Center" and "National Technology Innovation Demonstration Enterprise".

Investment in R & D

	2020	2019	Variation proportion
Number of R & D staff (persons)	58	55	5.45%
Proportion of R & D staff in total employees	1.18%	1.10%	0.08%
Amount of investment in R & D, in CNY	51,489,323.49	45,057,740.25	14.27%
Proportion of investment in R & D in operating revenue	1.21%	1.22%	-0.01%
Amount of capitalized investment in R & D (in CNY)	0.00	0.00	0.00%
Proportion of capitalized investment in R & D in the total investment in R & D	0.00%	0.00%	0.00%

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

Inapplicable

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

Inapplicable

5. Cash Flow

In CNY

Items	2020	2019	Year-on-year increase/decrease
Subtotal of cash flow in from operating activity	4,682,489,563.33	4,157,510,367.81	12.63%
Subtotal of cash flow out from operating activity	4,304,279,057.46	3,712,689,599.20	15.93%
Net cash flow arising from operating activities	378,210,505.87	444,820,768.61	-14.97%
Subtotal of cash flow in from investment activity	150,556.62	626,107.64	-75.95%
Subtotal of cash flow out from investment activity	133,531,954.47	166,689,454.32	-19.89%
Net cash flows arising from investment activities	-133,381,397.85	-166,063,346.68	-19.68%
Subtotal of cash flow in from fund raising activity	743,213,671.65	718,848,326.76	3.39%
Sub-total cash flow paid for financing activities	947,268,455.73	845,603,610.50	12.02%

Net cash flow arising from capital-raising activities	-204,054,784.08	-126,755,283.74	60.98%
Net increase of cash and cash equivalents	37,963,720.62	152,470,505.12	-75.10%

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

Net cash flow arising from financing activities amounting to CNY -204,054,784.08 in the reporting year, a year-on-year increase of CNY 77,299,500.34 in comparison with the previous year amounting to CNY -126,755,283.74 was mainly due to increase of the repayment of bank loans, increase of costs for repurchase of B-shares and decrease of the consideration for subscription of the incentive equity as received.

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

III. Analysis on Non-Principal Businesses

Inapplicable

IV. Analysis on Assets and Liabilities

1. Significant Changes in Assets Composition

The Company started implementing the new revenue criteria or new lease criteria commencing from 2020 and adjusted and implemented the relevant items of the financial statements at the beginning of the very year.

Applicable

In CNY

	End of 2020		Beginning of 2020		Increase/decrease in proportion	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	353,057,285.71	8.79%	316,668,565.09	8.42%	0.37%	Inapplicable
Accounts receivable	475,598,684.89	11.83%	397,471,106.98	10.57%	1.26%	Inapplicable
Inventories	1,931,780,185.85	48.07%	1,808,820,089.92	48.10%	-0.03%	Inapplicable
Investment-oriented real estate	398,086,447.78	9.91%	407,503,307.24	10.84%	-0.93%	Inapplicable
Long-term equity investment	51,400,665.92	1.28%	46,423,837.85	1.23%	0.05%	Inapplicable
Fixed assets	352,734,280.76	8.78%	363,997,098.94	9.68%	-0.90%	Inapplicable
Short term loans	542,673,278.09	13.50%	567,908,833.21	15.10%	-1.60%	Inapplicable
Long-term borrowings	4,070,330.00	0.10%	4,321,680.00	0.11%	-0.01%	Inapplicable

2. Assets and liabilities measured based on fair value

Inapplicable

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

A property owned by Switzerland based Montres Chouriet SA with net value of CNY 13,441,613.2 was used as a collateral for the overseas long term loan amounting to CNY 4,070,330.00.

V. Investment

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
139,500,000.00	0.00	100.00%

Note: During the reporting period, the Company increased the total capital amounting to CNY 139.50 million in three of the wholly-owned subsidiaries. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. On July 30, 2020.

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

VI. Sales of Significant Assets and Equity

1. Sales of Significant Assets

Inapplicable

2. Sales of Significant Equity

Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

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

In CNY

Company name	Company type	Principal 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	1,872,531,386.05	909,806,638.88	2,988,916,368.26	242,765,902.85	182,326,839.05
FIYTA Sales Co., Ltd.	Subsidiary	Design, R & D and sales of watches and components & parts	450,000,000	613,384,970.16	390,941,692.32	516,455,170.73	-18,885,348.17	-15,282,974.47
Shenzhen FIYTA Precision Technology Co., Ltd.	Subsidiary	Manufacture and production of watches and components	100,000,000	380,728,155.21	264,949,431.18	501,248,791.25	76,691,131.96	67,842,354.18
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Production and machining of sophisticated components and parts	50,000,000	171,890,633.16	118,704,721.47	163,533,818.78	11,997,378.38	11,243,899.59
FIYTA (Hong Kong) Limited	Subsidiary	Trading of watches and accessories and investment	137,737,520	245,079,582.50	199,324,329.81	102,497,627.67	17,412,906.01	14,987,003.85
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Subsidiary	Design, R & D and sales of watches and components & parts	5,000,000	46,639,986.23	-3,147,245.07	16,907,500.74	1,169,756.35	841,500.91
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Subsidiary	Purchase & sale of watches and components & parts	51,000,000	135,784,477.86	42,304,571.28	8,307,801.99	1,269,830.63	952,372.97
Shenzhen Harmony E-Commerce Limited	Subsidiary	Purchase & sale of watches and components & parts	10,000,000	13,581,535.33	13,218,443.00	66,825.10	43,066.94	41,150.82
Emile Chouriet (Shenzhen) Limited	Subsidiary	Design, R & D and sales of watches and components & parts	41,355,200	110,356,093.35	55,197,428.59	77,916,505.74	1,924,473.04	1,420,717.84
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Production and sales of watches and components & parts	15,350,000	155,920,380.87	119,920,567.63	96,146,565.15	20,602,896.80	19,907,312.29

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. (Ended the reporting period, the said company has not yet completed the registration with the administration for industry and commerce and is subject to the final approval by the authority of industry and commerce.	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.

Note to the principal mutual shareholding companies

Inapplicable

VIII. Structurized Entities Controlled by the Company

Inapplicable

IX. Expectation on future development of company

I. Development trend of the industry

Over the centuries, with the continuous innovation of technology, watches with precision technology as the core are gradually becoming the carrier of high-quality life, carrying human emotional needs such as "love" and "beauty", and

becoming the choice of more and more consumers. Watches are a symbolic presentation of consumers' quality of life. Under the background of China's continuous economic growth, consumption upgrading, the rise of Generation-Z consumers (born after 1995), the "dual cycle" and tariff adjustments shall all provide sufficient power for the development of the industry. The Company is firmly optimistic about the long-term growth and development potential of the industry.

In 2021, benefited from the remarkable result of China's COVID-19 prevention and control, China's economy is expected to achieve a full recovery and rapid growth of rebound from which the watch consumption industry the Company is engaged in shall also be benefited. From the view of trend, the industry has shown structural changes after the pandemic. It is expected that the market share of high-end brands shall further increase, the competition of mid-end and fashion brands shall become more intense, and the high-quality resources of the channel industry shall also tend to be concentrated. The evolution of the duty-free policy of Hainan Island shall also have a significant impact on the channel structure. The Company is at the forefront of the industry in the distribution of high-end luxury watches and its proprietary brand business, can better cope with the impact of changes in the market structure and grasp the overall opportunities of the development of the industry. The Company shall conduct in-depth research on the industry change trend, and respond timely to various market segments and seize growth opportunities.

From the view of long term, the Company is confident in the development of its own brand. There is still a large gap between domestically produced watches and superior Swiss watch brands in terms of design, watch-making technology, and brand influence. However, thanks to the continuous improvement of China's manufacturing level and the drive of "self-confidence in culture", Chinese consumers' increasing sense of national pride shall also help the development of brands with local characteristics, and domestic watch brands shall also usher in new development opportunities.

The two new growth points of precision technology business and smart wearable business are also on the track of accelerated growth. The Company shall accelerate capacity building, actively seize development opportunities, and continue to promote customer expansion, product research and development, technology upgrading, and scale expansion in related fields.

II. Development Strategy

Looking forward to the future, as a leading company in the watch industry, the Company shall adhere to its original aspiration for development, practice the strategy of "Big Country Brand", and continue to promote the creation of products and brands that represent China's identity, Chinese quality, Chinese technology and Chinese culture; promote the Company's high-quality development and transformation, focus on brand power, product power, and channel power, and comprehensively create the advantage of differentiated competition; enhance high-end precision technology innovation and research and development capabilities, strengthen self-centered design and development and key watch-making capability; accelerate digital transformation and business model innovation, and deepen customer value work; continue to cultivate and promote the development of precision technology and smart wearable business and form a new business growth point for the Company. In the process of carrying forward these strategic measures, the Company shall always keep an eye on the goal of "value creation", realize the Company's long-term sustainable and healthy growth, and is committed to creating greater value for shareholders.

III. Key Work in 2021

1. Tamping the basic management and consolidating the advantage of core competitiveness

The Company shall continue to improve brand professional operation capabilities, strengthen core DNA creation of the brand and transmission, strengthen product sales integration, and continue to improve "Brand Power"; focus on full life cycle management, optimize product planning and development, supply chain management, efficiency improvement, and premium capacity improvement, focus on the core series to create explosive products, strengthen "product power"; continue to promote deep and detailed channel operations, and continue to improve customer satisfaction and store yields with competitive images and products, and excellent store and after-sales service experience, and effectively improve the "channel power".

2. Grasping market opportunities and accelerating channel adjustment and upgrading

Relying on existing successful practices, the Company's proprietary brands continue to promote the entry and layout of shopping centers; the retail business of HARMONY World Watch Retail shall strengthen the construction of brand resources and channel resources, and "locate" in a planned, rhythmic and strategic way around the "Channel Map"; at the same time, the Company shall continue to keep a close eye on business opportunities such as duty-free shopping on Hainan Islands, explore and innovate models, and promote channel layout.

3. Embracing the Development of the Times and Accelerating Steadily Digital Transformation

The Company shall continue to accelerate the digital transformation of its core business, continue to strengthen membership operation capability, and provide customers with better products and services with precise insights into

product development, marketing activities, and store operations; continue to advance the exploration of new retail channels and actively promote the creation of a full-scenario, high-efficiency retail and service network.

4. Focusing on precision technology, strengthening investment and enhancing strength

The Company shall continue to adhere to innovation-drive and technology-drive, strengthen the building of watch-making capability, improve the Company's technological level, and strive to continue to make breakthroughs in key links such as independent driving unit design and development, key components manufacturing, new material development and application, and high-end watch-making process capacity building, etc.

5. Accelerating Innovation Drive and Actively Cultivating New Growth Points

The Company shall accelerate innovation drive and actively cultivate new growth points. The precision technology business shall accelerate the business expansion in new fields such as medical and aviation, and continue to improve the technical level and solution capacity building; the JEEP smart watch business shall continue to explore the fields of "active health", "grand pension", aerospace, etc., and continue to introduce products with more competitive power and accelerate business scale breakthrough.

6. Strengthening Team Building and Creating a Highly Effective Team

The future is always full of challenges. The Company firmly believes that only a combative and competitive team may achieve success in the future. The Company shall continue to forge a team with high professional capability and efficient execution ability, consolidate an "Iron Army" team; continue to deepen the full coverage of the power mechanism, and further stimulate the enthusiasm and creativity of the core team to deal with many uncertain factors in the future.

IV. Capital Necessary for Future Development

According to the Company's business development plan and financial budget planning in 2021 and for the purpose of satisfying the demand on investment and operation capital and at the same time timely seizing the development opportunity possibly brought about from the market change, the Company plans to apply for financing credit line with amount not exceeding CNY 1.2 billion by various means, including credit, guarantee, loan to subsidiaries, mortgage, etc. in 2021.

V. Risks Possibly to be Confronted with

1. The domestic and international pandemic situation still being confronted with many uncertainties

Looking forward to Year 2021, the repeated outbreaks of COVID-19 shall continue to bring about many uncertain factors to the development of the domestic economy and the growth of the watch industry. The Company shall seize the historical development opportunity of winning back consumers and the rise of domestic brands to promote the stable growth of the Company.

2. The continuous evolution of the domestic competition pattern and increasing pressure of competition

The Company also clearly realizes that under the general situation of rapid domestic consumption development, being confronted with the continuous pressure from duty-free imported goods on Hainan Island, changes in consumption habits, changes in industry concentration, etc., the Company needs to adhere to innovation-drive, promote the consolidation of core competitive advantages, strengthen key resource capability and actively respond to market changes.

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

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

Reception time	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
January 08, 2020	The Company	Field survey	Institution	Great Wall Fund Management Co., Ltd. And China Universal Asset Management Co., Ltd.	The Company conducted communication on FIYTA Brand upgrading, sales of HARMONY World Watch and development of smart watches and new business of precision technology with investors.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026
May 12, 2020	Teleconference	Telephone communication	Institution	Zhongtai Securities Co., Ltd., China Merchants Fund Management Co., Ltd., Huashang Fund Management Co., Ltd., Bosera Asset Management	The Company conducted communication on development of smart watch	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026

				Co., Ltd. and ABC-CA Fund Management Co., Ltd.	business with investors	6
August 19, 2020	The Company	Field survey	Institution	Changjiang Securities Co., Ltd., Hunan Yuancheng Investment Management Co., Ltd., Shenzhen Zhongna Bojin Investment Management Co., Ltd., CITIC Securities Co., Ltd., Shenzhen Hengwin Fidelity Asset Management Co., Ltd., Zhuhai Hengqin Chengle Hui Capital Management Co., Ltd., Infore Capital Management Co., Ltd., Avic Fund Management Co., Ltd., Shenzhen Shanshi Fund Management Co., Ltd., TruValue Asset Management Co., Ltd., JX Asset Management Co., Ltd., Shenzhen Minsan Investment Co., Ltd., Avic Fund Management Co., Ltd.	The Company conducted communication on FIYTA Brand upgrading, sales of HARMONY World Watch and development of smart watches and new business of precision technology with investors.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026
August 21, 2020	The Company	Field survey	Institution	China Merchants Fund Management Co., Ltd., Ping An Fund Management Company Limited, Shanghai Chongshan Investment Co., Ltd., Shenzhen Upright Asset Management Co., Ltd., Shenzhen KWT Investment Co., Ltd., Shanghai Huahong Asset Management Co., Ltd., Shenzhen Qianhai Yunxi Fund Management Co., Ltd., Shenzhen Haifuling Capital Management Co., Ltd., Shanghai Sunshine Capital Management Co., Ltd., Penghua Fund Management Co., Ltd., Bosera Funds Management Co., Ltd., Shenzhen Qianhai Chengbeile Investment Co., Ltd., and Dongxin Holding Co., Ltd.	The Company conducted communication on FIYTA Brand upgrading, sales of HARMONY World Watch and development of smart watches and new business of precision technology with investors.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026
August 25, 2020	The Company	Field survey	Institution	Shenzhen Upright Asset Management Co., Ltd., Shanghai Huahong Asset Management Co., Ltd., and Southern Fund Management Co., Ltd.	The Company conducted communication on FIYTA Brand upgrading, sales of HARMONY World Watch and development of smart watches and new business of precision technology with investors.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026
October 27, 2020	The Company	Field survey	Institution	Wanlian Securities Co., Ltd., Great Wall Securities Co., Ltd., Shenzhen Haifuling Capital Management Co., Ltd., Shenzhen Qianhai Chengbeile Investment Co., Ltd., and Dongxin Holding Co., Ltd., Shenzhen Qianhai Quanda Investment Co., Ltd., China Merchants Securities Co., Ltd., Zhuhai Hengqin Changlehui Capital Management Co., Ltd., Minsheng Securities Co., Ltd., Pingan Fund Management Co., Ltd., Guotai Junan Securities Co., Ltd., UBS SDIC Fund Management Co., Ltd., Morning Bell Asset Management Co., Ltd., Shenzhen Jinyou Chuangzhi Asset Management Co., Ltd., Shenzhen Maoyuan Wealth Management Co., Ltd., Shenzhen Zhengdetai Investment Co., Ltd., Guosen Securities Co., Ltd., Great Wall Fund Management Co., Ltd., Shenzhen Qianhai SUNFO Capital Management Group Limited, Shenwan Hongyuan Securities Co., Ltd. and China Merchants Fund Management Co., Ltd.	The Company conducted communication on FIYTA Brand upgrading, sales of HARMONY World Watch and development of smart watches and new business of precision technology with investors.	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026
Number of reception				6		
Number of institutions received				69		
Number of persons received				73		
Number of other visitors received				0		
Is there any important information disclosed, revealed or leaked to the public?				No		

Section 5 Significant Events

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

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

The Company's 2019 Profit Distribution Plan was reviewed and approved at the 16th session of the Ninth Board of Directors held on March 18, 2020 and is going to be brought to 2019 Annual General Meeting for review. It was dissolved 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 shall distribute cash dividend at the rate of CNY 2.00 for every 10 shares (with tax inclusive) with the total cash dividend not exceeding CNY 88,593,776.2, distribute bonus share at the rate of 0 share for every 10 shares to the whole shareholders and capitalize no reserve into capital.

In view of the fact that the total share capital of the Company decreased from 442,968,881 shares to 428,171,881 shares during the period from the disclosure to the implementation. The Company adjusted the total amount of distribution in accordance with the principle of fixed distribution proportion. The final implementation plan for the 2019 annual equity distribution is: based on the number of the Company's capital stock being 428,171,881 shares, the Company would distribute cash dividend to all shareholders at the rate of CNY 2.00 for every 10 shares (with tax inclusive), 0 bonus shares and would not convert any capital reserve into capital.

The implementation of the profit distribution plan was finished on July 3, 2020. For the detail, refer to the Announcement on Implementation of the Profit Distribution for Year 2019 (2020-034).

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

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

According to the provisions concerning cash dividend distribution in the Articles of Association, the Company prepared specific cash dividend distribution plan after the Board of Directors and the Shareholders' General Meeting have reviewed strictly according to the requirements. In the past three years, the Company has well implemented the cash

dividend distribution policy, fully asked for the independent directors' opinions, effectively ensured the minority shareholders' benefit and made timely and accurate disclosure in its annual report and the relevant media.

Profit Distribution Plan in 2018: With the total share capital of 438,744,881 shares as at December 31, 2018 as the base, the Company distributed to the whole shareholders cash dividend at CNY 2.00 for every 10 shares (with tax inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital.

(1) As of the date of application for equity distribution, the Company implemented 2018 Restricted A-Share incentive scheme (the first phase), and granted 4,224,000 restricted A-shares to 128 participants. Upon completion of the granting and registration for listing, the Company's share capital increased to 442,968,881 shares.

(2) The Company has repurchased 6,000,000 shares of domestically listed foreign shares (B shares) through the special account for repurchase. According to the relevant provisions of the Implementation Rules of Shenzhen Stock Exchange on Repurchase of Shares by Listed Companies, the Company's repurchased shares in the special account would not be qualified for participating in this equity distribution.

In view of the above reason, the base of the shares available for dividend distribution in the Company's equity in 2018 was adjusted to 436,968,881 shares. According to the relevant provisions of the Guidelines of Shenzhen Stock Exchange on Business Handling No. 2 - Issues Related to Regular Report Disclosure, in compliance with the principle of the total amount of cash dividends remaining unchanged, the Company's final implementation plan for the 2018 annual equity distribution was: based on the Company's number of shares for distribution being 436,968,881 shares, the Company distributed cash dividend to all shareholders at CNY2.008128 in cash (including tax) for every 10 shares, and 0 bonus shares and would convert no public reserve into capital.

Profit Distribution Plan in 2019: Based on the profit distribution plan reviewed and approved by 2019 Annual General Meeting, it was decided 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 would distribute cash dividend at the rate of CNY 2.00 for every 10 shares (with tax inclusive) with the total cash dividend not exceeding CNY 88,593,776.2, distribute bonus share at the rate of 0 share for every 10 shares to the whole shareholders and capitalize no reserve into capital. Ended the date of disclosing the Profit Distribution Plan 2019, the Company's total capital stock was 442,968,881 shares.

(1) According to the Company's "Proposal on the Repurchase of the Company's Partial Domestically Listed Foreign Shares (B Shares)", the Company would, within the validity period stipulated in the repurchase program (April 23, 2019 to April 23, 2020), continuously implement the B share repurchase. The shares repurchased are used to reduce the Company's registered capital. Ended the date of implementing the profit distribution plan, the Company's repurchase term expired. The Company completed the procedures for cancellation of the shares repurchased (14,730,000 shares). The Company's total capital stock was reduced from 442,968,881 shares to 428,238,881 shares.

(2) According to the "Proposal for Repurchase and Cancellation of the Partially Restricted Shares Involved in 2018 A Share Restricted Stock Incentive scheme (Phase I)" approved at the 15th and 16th Sessions of the Ninth Board of Directors, the Company repurchased and canceled a total of 67,000 Restricted A-shares that were granted with the restriction not released to the three former original participants who have left the Company in the 2018 restricted A-share incentive scheme (Phase I). This matter was reviewed and approved at the Company's 2020 1st Extraordinary General Meeting. By the date of implementing the profit distribution plan, the Company had completed the procedures for

cancellation of the shares repurchased. The Company's total capital stock was reduced from 428,238,881 shares to 428,171,881 shares.

In view of the above reason, the base of the shares available for dividend distribution in the Company's equity distribution for 2019 was adjusted to 428,171,881 shares. The Company's final implementation plan for the 2019 annual equity distribution was: based on the Company's number of shares available for distribution being 428,171,881 shares, the Company distributed cash dividend to all shareholders at CNY 2.00 (with tax inclusive) for every 10 shares and 0 bonus share; and would convert no public reserve into capital.

(3) According to the "Implementation Rules of Shenzhen Stock Exchange on the Repurchase of Shares by Listed Companies", if a listed company has repurchased the shares by means of centralized competitive bidding with the consideration in cash, the amount paid for the repurchase in the very year shall be deemed as cash dividends which shall be put in the calculation based on the relevant proportion of cash dividends for the year. During the reporting period, the Company accumulatively repurchased 10,010,000 shares of the Company's own stock by means of the centralized competitive bidding through its special securities account for repurchase, has already paid total amount of HK\$ 60,289,369.30 (excluding the stamp duty, commission and other trading costs equal to CNY 53,524,330.10). This amount of money was included in the cash dividend distribution in 2019.

Profit Distribution Plan in 2020: As of the disclosure date, the Company's total share capital was 435,751,881 shares, and the Company's total capital base for profit distribution must not exceed 435,751,881 shares in maximum.

(1) According to the Company's "Proposal on the Repurchase of the Company's Partial Domestically Listed Foreign Shares (B Shares) 2020-038", the Company would, within the validity period stipulated in the repurchase program (July 23, 2020 to July 23, 2021), continuously implement the B share repurchase. It is expected that by the time of implementing the profit distribution plan, the Company's repurchase period would expire and the cancellation of the repurchased shares would be completed. At that time, the total share capital base would decrease.

(2) According to the "Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 Restricted A-Share Incentive scheme (Phase I)" and the "Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 Restricted A-Share Incentive scheme (Phase II) reviewed and approved at 2021 2nd Extraordinary General Meeting, the Company intended to repurchase and cancel a total of 51,359 restricted A-share that were granted with the restriction but not yet released to the one retired and one deceased participants in the 2018 Restricted A-shares Incentive scheme (Phase I); and intended to repurchase and cancel a total 150,000 restricted A-shares held by and granted with restriction not yet released to one retired participant in the 2018 Restricted A-shares Incentive scheme (Phase II); It is expected that when the profit distribution plan is implemented, the Company shall have completed the above Restricted A-Share repurchase and cancellation procedures, then the total capital stock base shall be reduced. In the event of subsequent departure of other participants, the Company shall conduct repurchase-cancellation in accordance with regulations, and the Company's total share capital shall be reduced.

For these reasons, with the total capital stock as at the date of record as the base, the Company would distribute cash dividend at the rate of CNY 4.00 for every 10 shares (with tax inclusive), with the total cash dividend to be distributed not exceeding CNY 174,300,752.40, and no bonus share to the whole shareholders and would capitalize no reserve.

(3) According to the "Implementation Rules of Shenzhen Stock Exchange on the Repurchase of Shares by Listed Companies", if a listed company has repurchased the shares by means of centralized competitive bidding with the consideration in cash, the amount paid for the repurchase in the very year shall be deemed as cash dividends which shall be put in the calculation based on the relevant proportion of cash dividends for the year. During the reporting period, the Company accumulatively repurchased 12,866,401 shares (where, 4,720,000 shares were involved in the first repurchase plan, and 8,146,401 shares in the second) of the Company's own stock by means of the centralized competitive bidding through its special securities account for repurchase, has already paid total amount of HK\$ 81,319,545.03 (excluding the stamp duty, commission and other trading costs equal to CNY 71,338,916.62). This amount of money was included in the cash dividend distribution in 2020.

The accumulative amount of cash dividend distributed in the past three years took 204.31% of the annual average net profit in the past three years, which complies with the rules and regulations.

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

In CNY

Year of Dividend Distribution	Amount of Cash Dividend (including tax)	Net profit attributable to the Company's shareholders in the consolidated statements of the year of dividend distribution	Ratio of the net profit attributable to the Company's shareholders taken in the consolidated statements	Amount of cash dividend distributed in other way(s) (such as shares repurchased)	Proportion of the cash dividend distributed in other way(s) in the net profit attributable to the Company's shareholders of ordinary shares in the consolidated statements	Total amount of cash dividend (including other way(s))	Ratio of the total amount of cash dividend (including other way(s)) in the net profit attributable to the Company's shareholders of ordinary shares in the consolidated statements
2020	174,300,752.40	294,115,156.04	59.26%	71,338,916.62	24.26%	245,639,669.02	83.52%
2019	85,634,376.20	215,909,014.15	39.66%	53,524,330.10	24.79%	139,158,706.30	64.45%
2018	87,748,976.20	183,835,095.29	47.73%	0.00	0.00%	87,748,976.20	47.73%

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

Inapplicable

II. 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)	4
Number of shares converted for every 10 shares (shares)	0
Share capital base for the dividend distribution preplan (shares)	Based on the total number of shares on the date of record when the profit distribution plan is implemented in the future
Total cash dividend distributed (with tax inclusive)	174,300,752.40
Amount of cash dividend distributed in other way(s) (such as shares repurchased)	71,338,916.62
Total amount of cash dividend (including other way(s))	245,639,669.02
Profit available for distribution (CNY)	722,064,955.20
Proportion of the cash dividend in the total profit available for distribution (%)	100%
Cash Dividend Distribution for the Reporting Year	
Others	
Detailed information for profit distribution or conversion of capital reserve into share capital preplan	
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 is going to be brought to 2020 Annual General Meeting for review. It was planned 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 shall distribute 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 capitalize no reserve into capital. The reasons are as follows:

(1) According to the Company's "Proposal on the Repurchase of the Company's Partial Domestically Listed Foreign Shares (B Shares) 2020-038", the Company would, within the validity period stipulated in the repurchase program (July 23, 2020 to July 23, 2021), continuously implement the B share repurchase. It is expected that by the time of implementing the profit distribution plan, the Company's repurchase period would expire and the cancellation of the repurchased shares would be completed. At that time, the total share capital base would decrease.

(2) According to the "Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 Restricted A-Share Incentive scheme (Phase I)" approved at the 26th Sessions of the Ninth Board of Directors, the Company intended to repurchase and cancel a total of 51,359 Restricted A-shares that were granted with the restriction but not yet released to the one retired and one deceased participants in the 2018 Restricted A-Share incentive scheme (Phase I). This matter was reviewed and approved at the Company's 2021 2nd Extraordinary General Meeting.

According to the "Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 A Share Restricted Stock Incentive scheme (Phase II)" approved at the 26th Session of the Ninth Board of Directors, the Company intended to repurchase and cancel a total of 150,000 Restricted A-shares that were granted with the restriction but not yet released to one retired former incentive object in the 2018 Restricted A-Share incentive scheme (Phase II). This matter was reviewed and approved at the Company's 2021 2nd Extraordinary General Meeting.

It is expected that when the profit distribution plan is implemented, the Company shall have completed the above Restricted A-Share repurchase and cancellation procedures, then the total capital stock base shall be reduced. In the event of subsequent departure of other participants, the Company shall conduct repurchase-cancellation in accordance with regulations, and the Company's total share capital shall be reduced.

The profit distribution plan is subject to review and approval of the General Meeting before implementation.

III. Implementation of Commitments

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

The Ministry of Finance revised and issued the "Accounting Standards for Enterprises No. 14-Revenues" on July 5, 2017. 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, 2018; other domestically listed enterprises started the implementation commencing from January 1, 2020; non-listed companies started the implementation commencing from January 1, 2021.

On September 19, 2019, the Ministry of Finance promulgated the "Circular on Amending and Issuing the General Corporate Financial Statement Templates for the Year 2019" (CAI KUAI [2019] No. 16), according to which the Company amended its general corporate financial statement templates; and prepared the consolidated financial statements for year 2019 and the consolidated financial statements for the subsequent periods in accordance with the accounting standards and the Amendment Circular.

According to the concerned requirements of the aforesaid accounting standards and the consolidated financial statement templates, the Company implemented the aforesaid new rules and prepared the consolidated financial statements for year 2019 and the consolidated financial statements for the subsequent periods according to the relevant provisions. For details, please refer to the "Announcement on Change of the Accounting Policies 2020-015" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn/> on March 20, 2020.

The Ministry of Finance revised and issued the "Accounting Standards for Enterprises No. 21-Revenues" (CAI KUAI [2018] No. 35) 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 domestically listed 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 by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn/> on March 10, 2021.

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

Inapplicable

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

Inapplicable

IX. Engagement/Disengagement of CPAs

CPAs currently engaged by the Company

Name of the domestic CPAs	Grant Thornton LLP
Remuneration to the domestic CPAs (in CNY 10,000)	120
Successive years of the domestic CPAs offering auditing services	2
Name of the certified public accountants from the domestic CPAs	Dong Xu and Meng Junfeng
Successive years of the domestic CPAs offering auditing services	2

Has the CPAs been changed for the reporting period?

No

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

The 16th session of the Ninth Board of Directors of the Company held on March 18, 2020 and 2019 Annual General Meeting held on June 4, 2020 reviewed and approved the ``Proposal for the Payment of the Audit Fee for Year 2019 and the Reappointment of the Company's Auditor for Year 2020. The Company decided to reappoint Grant Thornton Certified Public Accountants LLP as the Company's auditor for auditing its financial report and internal control for year 2020 for a term of one year. For the detail, please refer to the "Announcement on the Reappointment of the Company's Auditor for Year 2020, 2020-017" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn/> on March 20, 2020.

During the reporting period, the Company paid the audit fee amounting to CNY 800,000.00 for auditing the financial report and CNY 300,000.00 for auditing the internal control for year 2019 to Grant Thornton Certified Public Accountants LLP.

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

Inapplicable

XI. Matters concerning Bankruptcy Reorganization

Inapplicable

XII. Significant Lawsuits and Arbitrations

Inapplicable

XIII. Penalty and Rectification

Inapplicable

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

Inapplicable

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

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

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

on January 12, 2019. This part of Restricted A-Share was all granted and registered for listing by January 30, 2019.

The Company held the 24th session of the Ninth Board of Directors on December 29, 2020, and believed that it has been matured for relieving the restriction conditions in the first restriction relief period of the Restricted A-Share incentive Scheme (Phase I) in 2018. With the exception of 147,000 shares held by 6 retired former participants with the restriction unreleased which have been repurchased and canceled by the Company, the Company has handled the matter concerning the restriction for the 122 participants in compliance with the condition for relieving the restriction for sale. The total number of Restricted A-Share involved in relieving the restriction is 1,357,641 shares. This part of the restricted shares with the restriction released got listed for trading on February 1, 2021. For the detail, refer to the relevant announcements disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on January 29, 2021.

The 26th session of the Ninth Board of Directors held on February 4, 2021 and 2021 2nd Extraordinary General Meeting held on February 24, 2021 decided to repurchase and cancel the 51,359 restricted A-shares which were already granted to but with the restriction not yet released and held by 1 retired and 1 deceased participants. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> respectively on February 5, 2021 and February 25, 2021.

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

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 Restricted A-Share Incentive Scheme (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. For the detail, refer to the relevant announcements disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on January 16, 2021. This part of Restricted A-Share was all granted and registered for listing by January 29, 2021.

The 26th session of the Ninth Board of Directors held on February 4, 2021 and 2021 2nd Extraordinary General Meeting held on February 24, 2021 decided to repurchase and cancel the 150,000 restricted A-shares which were already granted to but with the restriction not yet released and held by 1 retired participants. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> respectively on February 5, 2021 and February 25, 2021.

XVI. 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. Other Significant Related Transactions

The 16th session of the Ninth Board of Directors held on March 18, 2020 and 2019 Annual General Meeting held on June 4, 2020 reviewed and approved the Proposal on Prediction of Regular Related Transactions in 2020. For the detail, refer to the Announcement on the Resolution of the 16th Session of the Ninth Board of Directors No. 2020-011, the Announcement on the Prediction of the Regular Related Transactions in 2020 No. 2020-014 and the Announcement on the Resolution of 2020 Annual General Meeting No. 2020-031. During the reporting period, the cumulative transaction amount of the Company's related transactions related to its daily operations was within the expected range of the year.

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

Description of the provisional announcements	Date of disclosure	Disclosure website
Announcement on the Resolution of the 16th Session of the Ninth Board of Directors, 2020-011	March 20, 2020	www.cninfo.com.cn
Announcement of the Prediction of the Regular Related Transactions in 2020, 2020-014	March 20, 2020	www.cninfo.com.cn
Announcement on the Resolution of 2019 Annual General Meeting, 2020-031	June 05, 2020	www.cninfo.com.cn

XVII. Important Contracts and Implementation**1. Custody, Contracting and Leases****(1) Custody**

Inapplicable

(2) Contracting

Inapplicable

(3) Leases

Inapplicable

2. Significant Guarantees

(1) Guarantees

In CNY 10,000

Outward guarantees Offered by the Company and its Subsidiaries (excluding guarantee to the subsidiaries)									
Names of Guarantees	Date of announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?	
Inapplicable									
Guarantee to the subsidiaries									
Names of Guarantees	Date of announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?	
Harmony	December 30, 2020	20,000	December 30, 2020	10,000	Guarantee with joint responsibility	1 year	No	No	
Harmony	May 12, 2020	10,000	September 10, 2020	10,000	Guarantee with joint responsibility	1 year	No	No	
Harmony	May 12, 2020	5,000	September 15, 2020	5,000	Guarantee with joint responsibility	1 year	No	No	
the Hong Kong Co.	August 03, 2020	3,366.56	October 29, 2020	296.02	Guarantee with joint responsibility	1 year	No	No	
Total guarantee quota to the subsidiaries approved in the reporting period (B1)		38,366.56		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		25,296.02			
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)		38,366.56		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)		25,296.02			
Guarantee among the subsidiaries									
Names of Guarantees	Date of announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?	
Inapplicable									
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)		38,366.56		Total amount of outward guarantee actually incurred in the report period (A2)		25,296.02			
Total amount of guarantees already approved at the end of the report period (A3)		38,366.56		Total ending balance of guarantees at the end of the report period (A4)		25,296.02			
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)				9.03%					
where									
Amount of guarantees offered to the shareholders, actual controller and its related parties (D)				0					
Amount of guarantee for liabilities directly or indirectly offered to the guarantees with the asset-liability ratio exceeding 70% (E)				0					
Guarantee with total amount exceeding 50% of the net assets (F)				0					
Total amount of the aforesaid three guarantees (D+E+F)				0					
For the guarantee not yet due, guarantee responsibility incurred in the reporting period or description of the possible related discharge duty (if any)				Inapplicable					
Note to the outward guarantee against the established procedures (if any)				Inapplicable					

Description of the guarantee with complex method

Inapplicable

(2) Outward guarantee against regulations

Inapplicable

3. Entrusting a Third Party to Manage the Cash Assets

(1) Finance Management on Commission

Inapplicable

(2) Entrusted Loan

Inapplicable

4. Important contracts for day-to-day operation

Inapplicable

5. Other Important Contracts

Inapplicable

XVIII. Social Responsibilities

1. Implementation of social responsibilities

"The Social Responsibility Report " was already published on www.cninfo.com.cn on March 10, 2021.

2. Implementation of the social responsibility of precise poverty relief

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

3. 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 or specific pollutant	Way discharging of	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	1640 tons/year	2960 tons/year	None

Construction and operation of the pollution prevention and control facilities

Shanghai Watch Co., Ltd. reconstructed the clean production facility in 2016 and added 2 sets of equipment in 2018 for the purpose of ensuring discharging of nickel and chromium effluent to comply with the Emission Standard of Pollutants for Electroplating during 2018. Up to now, the facility has been operating normally and its emission has never exceeded

the limit as specified by the standard. The Company's online monitoring terminal has been docked with the government monitoring platform for timely testing. It complies with the standard in terms of emission factors.

In order to implement the requirements of the Eco-Environment Bureau for energy saving and consumption reduction, the Company has basically reached the standard for clean water after treatment of the wastewater from electroplating. Therefore, the Company recycled part of the water and reduced the total annual discharge by about 1,000 tons each year.

In compliance with the Document of Shanghai Municipal Bureau of Ecology and Environment, HU HUAN GUI (2020) No. 6, the primary pollutant wastewater should comply with the general principle of "the water which should be classified must be classified; the water which can be classified must be classified". The Company started to entrust the municipal engineering department to arrange and improve the Company's existing wastewater pipelines commencing from August, 2020, separate, collect and treat the domestic sewage and electroplating effluent.

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

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

Contingency Plan for Emergent Environmental Incidents

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

Environment Self-Monitoring Program

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

Other environment information necessary to be disclosed

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

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

Other information in connection with the environmental protection

None

XIX. Notes to Other Significant Events

1. Amendment of the Company's Internal Rules and Regulations

At the 18th session of the Ninth Board of Directors held on May 11, 2020, the Company reviewed and approved the "Proposal for Amending the Implementation Rules of the Special Committees of the Board of Directors". For the detail, refer to the relevant announcement of the Company disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on May 13, 2020.

At the 18th session of the Ninth Board of Directors held on May 11, 2020, the Company reviewed and approved the "Proposal for Amending the Articles of Association". For the detail, refer to the relevant announcements of the Company disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on May 13, 2020 and June 5, 2020.

At the 20th session of the Ninth Board of Directors held on July 28, 2020, the Company reviewed and approved the "Proposal for Amending the Investment Management System" and the "Proposal for Amending the Internal Control System". For the detail, refer to the relevant announcement of the Company disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on July 30, 2020.

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

The Company's 7th Session of the Ninth Board of Directors held on April 4, 2019 and 2019 2nd Extraordinary General Meeting held on April 23, 2019 reviewed and approved the "Proposal on Repurchase of Certain Domestically Listed Foreign Investment Shares of the Company (B- Shares), and subsequently disclosed the repurchase report and series of progress announcements in accordance with relevant regulations. Ended April 29, 2020, the repurchase of the shares was finished in implementation. For the detail, please refer to the "Announcement on the Completion of the Cancellation of Certain Domestically Listed Foreign Investment Shares (B-Shares) as Repurchased and the Change of the Company's Shares 2020-026" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on April 30, 2020.

The Company's 19th Session of the Ninth Board of Directors held on July 6, 2020 and 2020 2nd Extraordinary General Meeting held on July 23, 2020 reviewed and approved the "Proposal on Repurchase of Certain Domestically Listed Foreign Investment Shares of the Company (B- Shares), and subsequently disclosed the repurchase report and series of progress announcements in accordance with relevant regulations. Ended the reporting period, the Company already repurchased 8,146,401 shares. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

3. Capital increase to wholly-owned subsidiaries

The Company's 20th session of the Ninth Board of Directors held on July 28, 2020 reviewed and approved the "Proposal on Capital Increase to Shenzhen Fiyta Precision Technology Ltd., One of the Company's Wholly-owned Subsidiaries", the "Proposal on Capital Increase to Shenzhen Fiyta Precision Technology Development Ltd., One of the Company's Wholly-owned Subsidiaries", and the "Proposal on Capital Increase to Shenzhen Harmony E-Commerce Co., Ltd., One of the Company's Wholly-owned Subsidiaries, and decided to increase capital to the above three wholly-owned subsidiaries by CNY 90 million and CNY 40 million and CNY 9.5 million respectively. For the detail, refer to the relevant

announcement disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>. On July 30, 2020.

4. Investment for Establishment of Wholly-owned Subsidiary

The Company's 23rd Session of the Ninth Board of Directors held on December 4, 2020, reviewed and approved the "Proposal on the Establishment of a Wholly Owned Subsidiary" and decided to invest in the establishment of a wholly-owned subsidiary with its own capital amounting to CNY10 million. (Shenzhen Xunhang Precision Technology Co., Ltd., tentatively named, subject to the registered name of the with the administration for industry and commerce). For the detail, please refer to the "Announcement on Investment and Establishment of a Wholly Owned Subsidiary 2020-072" disclosed in the Securities Times, Hong Kong Commercial Daily and [www.cninfo.com](http://www.cninfo.com.cn) on December 5, 2020. As of the end of the reporting period, this wholly-owned subsidiary has not yet completed the registration with the administration for industry and commerce, and the Company shall perform its subsequent information disclosure obligations in accordance with relevant regulations.

XX. Significant Events of the Company's Subsidiaries

Inapplicable

Section 6 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	4,604,513	1.04%				-147,000	-147,000	4,457,513	1.04%
1. Shares held by the state	0	0.00%				0	0	0	0.00%
2. State corporate shares	0	0.00%				0	0	0	0.00%
3. Other domestic shares	4,604,513	1.04%				-147,000	-147,000	4,457,513	1.04%
Including: Domestic corporate shares	0	0.00%				0	0	0	0.00%
Shares held by domestic natural persons	4,604,513	1.04%				-147,000	-147,000	4,457,513	1.04%
4. Foreign invested shares	0	0.00%				0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%				0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%				0	0	0	0.00%
II. Unrestricted shares	438,364,368	98.96%				-14,730,000	-14,730,000	423,634,368	98.96%
1. CNY ordinary shares	356,716,368	80.53%				0	0	356,716,368	83.33%
2. Foreign invested shares listed in Mainland China	81,648,000	18.43%				-14,730,000	-14,730,000	66,918,000	15.63%
3. Foreign invested shares listed	0	0.00%				0	0	0	0.00%

abroad									
4. Others	0	0.00%				0	0	0	0.00%
III. Total shares	442,968,881	100.00%				-14,877,000	-14,877,000	428,091,881	100.00%

Cause of the change of shares

During the reporting period, 6 original participants of the 2018 Restricted A-Share incentive scheme (Phase I) no longer met the incentive conditions due to their retirement. According to the provisions of the incentive scheme, the Company repurchased and canceled 147,000 Restricted A-shares that have been granted but whose restriction has not been released.

According to the Company's "Proposal for the Repurchase of Partial Domestically Listed Foreign Shares (B-Shares) by the Company 2019-017", the Company repurchased 14,730,000 B-shares in total during the period from April 23, 2019 to April 23, 2020. Part of the B-shares were cancelled on April 29, 2020.

Due to the above reason, the Company's total shares changed from 442,968,881 shares to 428,091,881 shares.

Approval of the Change of the Shares

With the approval of the Company's 2020 1st Extraordinary General Meeting held on April 13, 2020, the Company repurchased and cancelled 67,000 Restricted A-shares that had been granted to the former participants but the restriction had not yet been released.

With the approval of the Company's 2019 Annual General Meeting held on June 4, 2020, the Company repurchased and cancelled 27,000 Restricted A-shares that had been granted to the former participants but the restriction had not yet been released.

With the approval of the Company's 2020 2nd Extraordinary General Meeting held on July 23, 2020, the Company repurchased and cancelled 20,000 Restricted A-shares that had been granted to the former participants but the restriction had not yet been released.

With the approval of the Company's 2020 3rd Extraordinary General Meeting held on September 15, 2020, the Company repurchased and cancelled 33,000 Restricted A-shares that had been granted to the former participants but the restriction had not yet been released.

With the approval and authorization of the Company's 2019 2nd Extraordinary General Meeting held on April 23, 2019, the Company cancelled 14,730,000 domestically listed foreign shares (B shares) that had been repurchased through the special account for repurchase of securities by centralized bidding during the reporting period.

Transfer of the Shares Changed

During the reporting period, the Company completed the repurchase and cancellation of a total of 147,000 restricted A-shares with CSDC Shenzhen Office on June 5, 2020, July 29, 2020, September 14, 2020, and November 9, 2020 respectively.

During the reporting period, the Company completed the cancellation of a total of 14,730,000 domestically listed foreign shares (B-shares) with CSDC Shenzhen Office on April 29, 2020.

Progress of implementation of the stock repurchase

The Company's 7th Session of the Ninth Board of Directors held on April 4, 2019 and 2019 2nd Extraordinary General Meeting held on April 23, 2019 reviewed and approved the "Proposal for the Repurchase of Partial Domestically Listed Foreign Shares (B-Shares), according to which the Company was approved to repurchase part of the company's domestically listed foreign shares (B-shares) through a centralized bidding with its own fund to repurchase part of the Company's domestically listed foreign shares (B-shares) through centralized bidding to reduce the registered capital. During the reporting period, the repurchase of the aforesaid shares was completed in implementation. The Company repurchased 14,730,000 domestically listed foreign shares (B-shares) through centralized bidding by means of the special account for the securities repurchased and completed the cancellation.

The Company's 19th Session of the Ninth Board of Directors held on July 6, 2020 and 2020 2nd Extraordinary General Meeting held on July 23, 2020 reviewed and approved the "Proposal on Repurchase of Partial Domestically Listed Foreign Shares (B-Shares), and subsequently disclosed the repurchase report and series of progress announcements in accordance with relevant regulations. For the detail, please refer to the relevant announcements disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com. Ended the reporting period, the Company accumulatively repurchased 8,146,401 shares in the Company through a centralized bidding method with the special account for the securities repurchased, accounting for 1.90% of the company's total share capital. The highest transaction price of the repurchased shares was HK\$6.74 per share, and the lowest transaction price was HK\$5.93./share, the total amount paid was HK\$ 52,515,985.20 (with the trading costs, such as stamp duty, commission, etc. exclusive, it is equivalent approximately to CNY 44,199,553.78).

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

Inapplicable

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

During the reporting period, the Company carried out repurchase and cancellation of the partial restricted shares in the 2018 Restricted A-Share Incentive Program (Phase I) and repurchased and canceled the B-shares as repurchased; and the earnings per share and return on equity at the end of the reporting period were calculated by weighted average.

Net return on equity, weighted average (%)		Earnings per share			
		Basic earning per share (CNY/share)		Diluted earning per share (CNY/share)	
2020	2019	2020	2019	2020	2019
10.78%	8.21%	0.6764	0.4943	0.6764	0.4943

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 released in the reporting period	Number of restricted shares at the end of the reporting period	Cause of restriction	Date of relieving the restriction
Huang Yongfeng	160,000	0	0	160,000	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Pan Bo	117,500	0	0	117,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Lu Wanjun	117,500	0	0	117,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Liu Xiaoming	117,500	0	0	117,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Li Ming	117,530	0	0	117,530	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Chen Zhuo	118,250	0	0	118,250	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Tang Haiyuan	60,000	0	0	60,000	Restricted shares as the granted locked shares	To be unlocked subject to the measures for the Company's equity incentive management
Chen Libin (retired)	160,000	0	0	160,000	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Lu Bingqiang (retired)	96,311	0	24,078	72,233	Locked shares for senior executives	To be unlocked subject to the conditions of the locked shares for senior executives
Xu Chuangyue (retired)	50,000	0	0	50,000	Restricted shares as the granted locked shares	To be unlocked subject to the measures for the Company's equity incentive management
Other persons eligible for the incentive of Restricted A-Share (Note)	3,514,000	0	0	3,367,000	Restricted shares as the granted locked shares	To be unlocked subject to the measures for the Company's equity incentive management
Total	4,628,591	0	24,078	4,457,513	--	--

Note: During the reporting period, the Company repurchased and canceled 147,000 shares held by the 6 original participants with the restriction not yet released. Therefore, the number of restricted shares at the end of the period decreased by 147,000 shares compared with the beginning of the period.

II. Issuing and Listing

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

Inapplicable

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

During the reporting period, 6 original participants of the 2018 Restricted A-Share incentive scheme (Phase I) no longer met the incentive conditions due to their retirement. According to the provisions of the incentive scheme, the Company repurchased and canceled 147,000 Restricted A-shares that have been granted but whose restriction has not been released.

According to the Company's "Proposal for the Repurchase of Partial Domestically Listed Foreign Shares (B-Shares) by the Company 2019-017", the Company repurchased 14,730,000 B-shares in total during the period from April 23, 2019 to April 23, 2020. Part of the B-shares were cancelled on April 29, 2020.

Due to the above reason, the Company's total shares changed from 442,968,881 shares to 428,091,881 shares.

3. Existing Employee Shares

Inapplicable

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shareholding

In shares

Total common shareholders at the end of the reporting period	29,546	Total common shareholders at the end of the month before the date of disclosing the annual report	30,247	Total preference shareholders with the voting power recovered at the end of the reporting period (if any)	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)		
Shares held by the shareholders holding over 5% shares or the top ten shareholders								
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 or freezing	
							Status of the shares	Quantity
AVIC International Holdings Limited	State corporate	38.07%	162,977,327	0.00	0.00	162,977,327		
Construction Bank of China - Penghua Value Superiority Hybrid	Domestic non-state-owned legal person	1.75%	7,472,435	7,472,435	0.00	7,472,435		

Securities Investment Fund (LOF)								
Construction Bank of China - Penghua High Quality Growth Hybrid Securities Investment Fund	Domestic non-state-owned legal person	1.23%	5,250,906	5,250,906	0.00	5,250,906		
UBS AG	Foreign corporate	1.04%	4,461,801	4,271,445	0.00	4,461,801		
Construction Bank of China - Penghua Selected Growth Hybrid Securities Investment Fund	Domestic non-state-owned legal person	0.54%	2,322,734	2,322,734	0.00	2,322,734		
Basic Endowment Insurance Fund Portfolio 904	Domestic non-state-owned legal person	0.46%	1,988,500	1,988,500	0.00	1,988,500		
MORGAN STANLEY & CO. INTERNATIONAL PLC.	Foreign corporate	0.44%	1,894,750	1,894,700	0.00	1,894,750		
Construction Bank of China - Penghua Hongjia Flexible Configuration Hybrid Securities Investment Fund	Domestic non-state-owned legal person	0.40%	1,714,400	1,714,400	0.00	1,714,400		
# Chi Dexuan	Domestic natural person	0.40%	1,703,500	1,703,500	0.00	1,703,500		
Qiu Hong	Domestic natural person	0.37%	1,600,000	1,600,000	0.00	1,600,000		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any)	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 Holdings Limited authorized representatives to exercise voting rights on their behalf in the company's 2020 1st Extraordinary General Meeting, 2020 2nd Extraordinary General Meeting, 2019 Annual General Meeting and 2020 3rd Extraordinary General Meeting. The number of representative shares is 162,977,327 shares. For the detail of the result of the aforesaid voting, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn .							
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 Holdings Limited	162,977,327	CNY ordinary shares	162,977,327					
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	7,472,435	CNY ordinary shares	7,472,435					
Construction Bank of China - Penghua High Quality Growth Hybrid Securities Investment Fund	5,250,906	CNY ordinary shares	5,250,906					
UBS AG	4,461,801	CNY ordinary shares	4,461,801					
Construction Bank of China - Penghua Selected Growth Hybrid Securities Investment Fund	2,322,734	CNY ordinary shares	2,322,734					
Basic Endowment Insurance Fund Portfolio 904	1,988,500	CNY ordinary shares	1,988,500					
MORGAN STANLEY & CO. INTERNATIONAL PLC.	1,894,750	CNY ordinary shares	1,894,750					
Construction Bank of China - Penghua Hongjia Flexible Configuration Hybrid Securities Investment Fund	1,714,400	CNY ordinary shares	1,714,400					
# Chi Dexuan	1,703,500	CNY ordinary shares	1,703,500					
Qiu Hong	1,600,000	CNY ordinary shares	1,600,000					
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)	Among the above shareholders, Chi Dexuan purchased 1,703,500 shares through the customer credit transaction guarantee securities account of Huaxin Securities Co., Ltd.							

Did the top ten common shareholders or top ten shareholders of unrestricted common shares conduct contractual

repurchase during the reporting period?

No

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 Shareholder	Legal Representative /Leader	Date of incorporation	Organization Code	Leading business activities
AVIC International Holdings Limited	Fu Fangxing	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.
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. (SHEN TIANMA A 000050) and 67.05% equity in Shennan Circuits Company Limited (SHENNAN CIRCUITS 002916).			

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

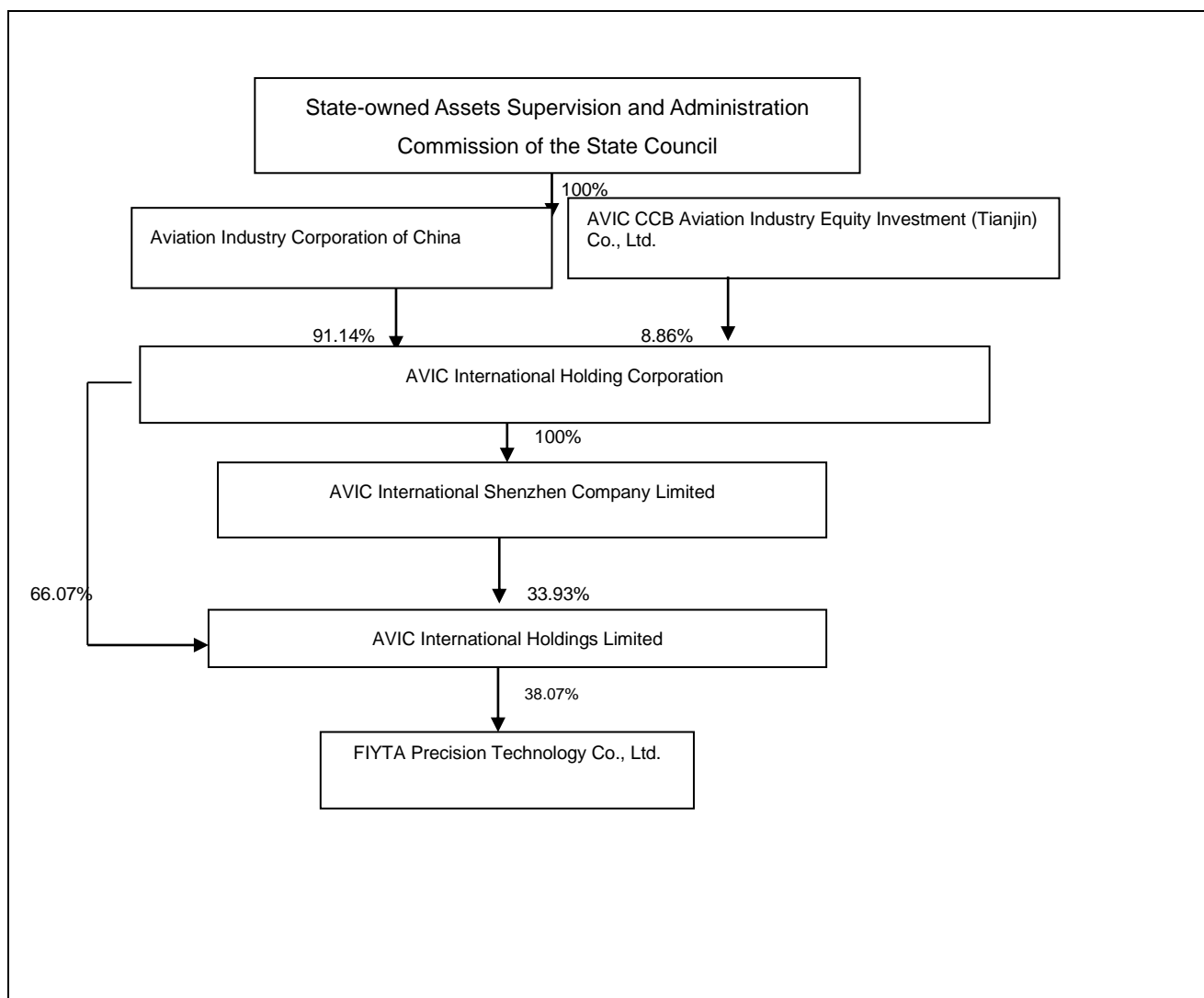
Type of the actual controller: corporate

Name of the Actual Controller	Legal Representative /Leader	Date of incorporation	Organization Code	Leading business activities
AVIC International Holding Corporation	Lai Weixuan	April 12, 1983	911100001000009992	Import & export; warehousing; investment and management of industry, hotel, property, real estate industry; development, sales and maintenance of new energy equipment; exhibitions; sales of communications equipment, computers, software and ancillary equipment; technology service, technology development, technology consultation, technology transfer and technology promotion; satellite communications services; information system integration service; software development; dispatching contract workers abroad to carry out overseas projects; sales of precursor chemicals and other hazardous chemicals; telecommunications services; Internet information services.
Equity in other domestic and foreign listed companies controlled by the actual controller in the reporting period.	AVIC International holds 66.07% equity in AVIC International Holdings Limited and 7% equity in SHEN TIANMA (000050).			

Change of the actual controller in the reporting period

Inapplicable

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



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

Inapplicable

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

Inapplicable

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

Inapplicable

Section 7 About the Preferred Shares

Inapplicable

Section 8 About the Convertible Bonds

Inapplicable

Section 9 Directors, Supervisors, Senior Executives and Employees

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

Names	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)	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)
Huang Yongfeng	Chairman of the Board	In office	Male	47	September 11, 2018	September 11, 2021	180,000	0	0	0	180,000
Zhang Zhibiao	Director	In office	Male	48	February 24, 2021	September 11, 2021	0	0	0	0	0
Xiao Yi	Director	In office	Male	47	February 24, 2021	September 11, 2021	0	0	0	0	0
Xiao Zhanglin	Director	In office	Male	45	September 11, 2018	September 11, 2021	0	0	0	0	0
Li Peiyin	Director	In office	Male	35	February 24, 2021	September 11, 2021	0	0	0	0	0
Pan Bo	Managing Director	In office	Male	45	February 24, 2021	September 11, 2021	130,000	0	0	0	130,000
Wang Jianxin	Independent Director	In office	Male	51	September 11, 2018	September 11, 2021	0	0	0	0	0
Zhong Hongming	Independent Director	In office	Male	46	September 11, 2018	September 11, 2021	0	0	0	0	0
Tang Xiaofei	Independent Director	In office	Male	47	September 11, 2018	September 11, 2021	0	0	0	0	0
Zheng Qiyuan	Chairman of the Supervisory Committee	In office	Male	58	February 24, 2021	September 11, 2021	0	0	0	0	0
Cao Zhen	Supervisor	In office	Female	50	February 24, 2021	September 11, 2021	0	0	0	0	0
Sheng Qing	Supervisor	In office	Female	45	September 11, 2018	September 11, 2021	0	0	0	0	0
Lu Wanjuan	Deputy GM	In office	Male	54	October 08, 2018	September 11, 2021	130,000	0	0	0	130,000
Liu Xiaoming	Deputy GM	In office	Male	50	October 08, 2018	September 11, 2021	130,000	0	0	0	130,000
Li Ming	Deputy GM	In office	Male	48	October 08, 2018	September 11, 2021	130,040	0	0	0	130,040
Chen Zhuo	Chief Accountant & Secretary of the Board	In office	Male	45	October 08, 2018	September 11, 2021	131,000	0	0	0	131,000
Tang Haiyuan	Deputy GM	In office	Male	48	September 29, 2019	September 11, 2021	60,000	0	0	0	60,000
Wang Mingchuan	Director	Retired	Male	55	September 11, 2018	February 02, 2021	0	0	0	0	0
Fu Debin	Director	Retired	Male	44	September 11, 2018	February 02, 2021	0	0	0	0	0

Wang Bo	Director	Retired	Male	42	September 11, 2018	February 02, 2021	0	0	0	0	0
Chen Libin	Managing Director	Retired	Male	57	September 11, 2018	February 02, 2021	180,000	0	0	0	180,000
Wang Baoying	Chairman of the Supervisory Committee	Retired	Male	57	September 11, 2018	February 24, 2021	0	0	0	0	0
Fang Jiasheng	Supervisor	Retired	Male	35	April 12, 2019	February 24, 2021	0	0	0	0	0
Xu Chuangyue	Deputy GM	Retired	Male	42	September 29, 2019	February 03, 2021	50,000	0	0	0	50,000
Total	--	--	--	--	--	--	1,121,040	0	0	0	1,121,040

II. Personnel Change in Directors, Supervisors and Senior Executives

Names	Office Taken	Type	Date	Cause
Zhang Zhibiao	Director	Appointment & removal	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Xiao Yi	Director	Appointment & removal	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Li Peiyin	Director	Appointment & removal	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Pan Bo	Director	Appointment & removal	February 24, 2021	Appointed as a non-independent director of the Ninth Board of Directors at the 26th session of the Ninth Board of Directors and 2021 2nd Extraordinary General Meeting.
Zheng Qiyuan	Supervisor	Appointment & removal	February 24, 2021	Appointed as a supervisor of non-independent director of the Ninth Supervisory Committee at the 23rd session of the Ninth Supervisory Committee and 2021 2nd Extraordinary General Meeting.
Zheng Qiyuan	Chairman of the Supervisory Committee	Appointment & removal	March 08, 2021	Appointed as the Chairman of the Ninth Supervisory Committee at the 24th session of the Ninth Supervisory Committee.
Cao Zhen	Supervisor	Appointment & removal	February 24, 2021	Appointed as a supervisor of non-independent director of the Ninth Supervisory Committee at the 23rd session of the Ninth Supervisory Committee and 2021 2nd Extraordinary General Meeting.
Pan Bo	GM	Appointment & removal	January 15, 2021	Appointed as the GM at the 25th session of the Ninth Board of Directors.
Chen Zhuo	Secretary of the Board	Appointment & removal	January 15, 2021	Appointed as the Secretary of the Board at the 25th session of the Ninth Board of Directors.
Wang Mingchuan	Director	Retired	February 02, 2021	resigned as a director, a member of the Strategy Committee and Audit Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Fu Debin	Director	Retired	February 02, 2021	Resigned as a director, a member of the Nomination, Remuneration and Assessment Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Wang Bo	Director	Retired	February 02, 2021	Resigned as a director, a member of the Nomination, Remuneration and Assessment Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Chen Libin	Director	Retired	February 02, 2021	resigned as a director, a member of the Strategy Committee and Audit Committee of the of the Ninth Board of Directors due to the job transfer. He no longer holds any position in the Company after his resignation.
Wang Baoying	Chairman of the Supervisory Committee	Retired	February 24, 2021	resigned as a supervisor and the chairman of the Ninth Supervisory Committee due to the job transfer. He no longer holds any position in the Company after his resignation.
Fang Jiasheng	Supervisor	Retired	February 24, 2021	resigned as a supervisor of the Ninth Supervisory Committee due to the job transfer. He no longer holds any position in the Company after his resignation.
Chen Libin	GM	Termination	January 14, 2021	resigned as the GM of the Company. He still holds other positions in the Company after his resignation.
Pan Bo	Deputy GM and the Secretary of the Board	Termination	January 14, 2021	resigned as Deputy GM of the Company and the Secretary of the Board. He still holds other positions in the Company after his resignation.
Xu Chuangyue	Deputy GM	Termination	February 03, 2021	resigned as Deputy GM of the Company. He no longer holds any position in the Company after his resignation.

I. About Senior Executives

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

Mr. Huang Yongfeng, born in May, 1974, senior engineer, master of management engineering of the Economic Management College of Beijing University of Aeronautics & Astronautics, and EMBA of China Europe International Business School. He is now Chairman of the Board of the Company and deputy GM of AVIC International Holding Corporation. Mr. Huang used to be the chairman and general manager of AVIC INTL Zhuhai Co., Ltd., assistant to the general manager of AVIC International Holding Corporation, deputy general manager, assistant to the general manager, manager of the enterprise strategy and management department of AVIC International Shenzhen Co., Ltd., director of AVIC Sunda Holding Company Limited, director of Rainbow Department Store Co., Ltd., director of Tianma Microelectronics Co., Ltd. and chairman of Shenzhen Zhongshi Mechanical Equipment Co., Ltd.

Mr. Zhang Zhibiao, born in October, 1973, Master. Mr. Zhang is a director of the Company, and the Manager of the Planning & Development Department of AVIC International Holding Corporation. He used to be the assistant to the GM of AVIC Securities Co., Ltd., the director of the Institute of Finance, the chief of the comprehensive management department and the chief of the operation management department of AVIC International Holding Corporation.

Mr. Xiao Yi, male, born in March 1974, MBA of the Economic Management College of Beijing University of Aeronautics & Astronautics. Mr. Xiao is a director of the Company, the director of the Organization Department and the director of the Human Resource Department of AVIC International Holding Corporation. Mr. Xiao used to be the project manager of the Technology Transfer Center of Beijing Beihang Assets Operation Co., Ltd., the comprehensive secretary of the management department, the assistant to the director of the administrative management department, the deputy director and director 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 Holdings 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. Li is a director of the Company, and deputy manager of the Financial Management Department of AVIC International Holding Corporation (presiding the work). 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. 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. Wang Jianxin, born in June, 1970, graduated from Zhongnan University of Economics and Law, a Chinese CPA. Mr. Wang is an independent director of the Company and a partner of ShineWing Certified Public Accountants (Special General Partnership) and independent director of Chongqing Fuling Zhacai Group

Mr. Zhong Hongming, born in January 1975, PhD of Civil and Commercial Law in Renmin University of China and post-doctor of Civil and Commercial Law in Southwest University Political Science and Law. He is an independent director of the Company, an associate research fellow of Law Research Institute of Sichuan Academy of Social Sciences and concurrently a director of China Securities Law Research Council, and an independent director of Mango Excellent Media Co., Ltd.

Mr. Tang Xiaofei, born in May, 1974, graduated from Southwest Jiaotong University, professor and doctoral tutor. Mr. Tang is an independent director of the Company, a professor and doctoral tutor of the Business School of Southwest Jiaotong University, director of Urban Brand Strategy Research Institute of Southwest University of Finance and Economics, enjoying the title of Outstanding Talent of the New Century granted by the Ministry of Education, a council member of the Chinese Association of Market Development, an expert consultant of brand development of Chengdu Municipal Government, expert of Chengdu Famous Trademark Determination Board, an independent director of Sichuan Languang Development Co., Ltd., the chief expert of Inquiry Platform for Chinese Enterprises of Chengdu Zhongzhi Zhongcheng, and a consultant of APEX Ogilvy.

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. Sheng Qing, born in April, 1976, accountant, bachelor of international accounting specialization of Jiangxi University of Finance and Economics, master of organization and HR management of the University of Hong Kong. She is a supervisor of the Company and the manager of the discipline inspection, supervision, audit and law department of the

Company. She used to be a supervisor of the Eighth Supervisory Committee, assistant to manager, deputy manager and manager of HR department and senior business manager of the supervision and audit department of the Company.

Mr. Lu Wanjun, born in February, 1967, accountant and EMBA of China Europe International Business School. Mr. Lu is the Secretary of Committee for Discipline Inspection, a deputy GM 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 a deputy GM of the Company, and the managing director of Shenzhen Harmony World Watches Center Co., Ltd. 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. Chen Zhuo, born in September, 1976, senior accountant, bachelor of accounting of Central University of Finance and Economics, MBA of Wuhan University and EMBA of China Europe International Business School. He is the chief accountant and concurrently the Secretary of the Board of the Company. Mr. Chen used to be a supervisor and the assistant to the GM of the Company, the manager of the strategy and information department, deputy manager of the strategy and information department and securities affairs representative of the Company, a deputy GM, the assistant to the GM and the manager of the financial information department of FIYTA Sales 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 a deputy GM of the Company and the GM of Shenzhen FIYTA Technology Development Co., Ltd. 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
Huang Yongfeng	AVIC International Holding Corporation	Deputy GM			No
Zhang Zhibiao	AVIC International Holding Corporation	Planning & Development Department			Yes
Xiao Yi	AVIC International Holding Corporation	Chief of the CPC Organization Department			Yes

		and the director of the Human Resource Department			
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
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 shareholder companies	Inapplicable				

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
Wang Jianxin	SHINEWING Certified Public Accountants LLP	Partnership	December 01, 2006		Yes
Zhong Hongming	Institute of Law of Sichuan Academy of Social Sciences	Associate research fellow	November 24, 2017		Yes
Zhong Hongming	Mango Excellent Media Co., Ltd.	Independent Director	June 14, 2017		Yes
Zhong Hongming	Dagang Holding Group Co., Ltd.	Independent Director	October 27, 2017	December 02, 2020	Yes
Tang Xiaofei	The School of Business Administration of Southwest University of Finance Economics	Doctorial tutor	September 01, 2008		Yes
Tang Xiaofei	The School of Business Administration of Southwest University of Finance Economics	Professor	December 01, 2011		Yes
Office taking in other organizations	Inapplicable				

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

Inapplicable

IV. Remuneration to Directors, Supervisors and Senior Executives

Decision-making procedures, basis for 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

Names	Title	Gender	Age	Office Status	Total pretax remuneration received from the Company	Is the remuneration from one of the Company's related parties
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Huang Yongfeng	Chairman of the Board	Male	47	In office	220.00	No
Zhang Zhibiao	Director	Male	48	In office	0	Yes
Xiao Yi	Director	Male	47	In office	0	Yes
Xiao Zhanlin	Director	Male	45	In office	0	Yes
Li Peiyin	Director	Male	35	In office	0	Yes
Pan Bo	Managing Director	Male	45	In office	187.33	No
Wang Jianxin	Independent Director	Male	51	In office	9.00	No
Zhong Hongming	Independent Director	Male	46	In office	9.00	No
Tang Xiaofei	Independent Director	Male	47	In office	9.00	No
Zheng Qiyuan	Chairman of the Supervisory Committee	Male	58	In office	0	Yes
Cao Zhen	Supervisor	Female	50	In office	0	Yes
Sheng Qing	Supervisor	Female	45	In office	97.07	No
Lu Wanjun	Deputy GM	Male	54	In office	177.40	No
Liu Xiaoming	Deputy GM	Male	50	In office	206.15	No
Li Ming	Deputy GM	Male	48	In office	182.40	No
Chen Zhuo	Chief Accountant & Secretary of the Board	Male	45	In office	182.40	No
Tang Haiyuan	Deputy GM	Male	48	In office	176.89	No
Wang Mingchuan	Director	Male	55	Retired	0	Yes
Fu Debin	Director	Male	44	Retired	0	Yes
Wang Bo	Director	Male	42	Retired	0	Yes
Chen Libin	Managing Director	Male	57	Retired	190.92	No
Wang Baoying	Chairman of the Supervisory Committee	Male	57	Retired	0	Yes
Fang Jiasheng	Supervisor	Male	35	Retired	40.71	No
Xu Chuangyue	Deputy GM	Male	42	Retired	164.53	No
Total	--	--	--	--	1,852.80	--

Equity incentive to directors and senior executives of the Company during the reporting period

In shares

Names	Title	Number of vested shares during the reporting period	Number of struck shares during the reporting period	Strike price and the number of struck 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
Huang Yongfeng	Chairman of the Board	0	0	0	11.43	100,000	0	0	4.40	100,000
Pan Bo	Managing Director	0	0	0	11.43	80,000	0	0	4.40	80,000
Lu Wanjun	Deputy GM	0	0	0	11.43	80,000	0	0	4.40	80,000
Liu Xiaoming	Deputy GM	0	0	0	11.43	80,000	0	0	4.40	80,000
Li Ming	Deputy GM	0	0	0	11.43	80,000	0	0	4.40	80,000
Chen Zhuo	Chief Accountant & Secretary of the Board	0	0	0	11.43	80,000	0	0	4.40	80,000
Tang Haiyuan	Deputy GM	0	0	0	11.43	60,000	0	0	4.40	60,000
Chen Libin	Managing Director	0	0	0	11.43	100,000	0	0	4.40	100,000

	(retired)									
Xu Chuangyue	Deputy GM (retired)	0	0	0	11.43	50,000	0	0	4.40	50,000
Total	--	0	0	--	--	710,000	0	0	--	710,000
Remarks (If any)		Granting of the Restricted A-Share to aforesaid persons was completed on January 30, 2019; ended the reporting period, the shares were still in the lockup period (two years) according to the regulations.								

V. Employees

1. Number, Job Composition and Education Background of Employees

Number of employees working for the parent company	134
Number of employees working for the major subsidiaries	4,767
Total employees on active duty	4,901
Total employees receiving remuneration in the reporting period	4,901
Number of the retired employees for whom the parent company and the major subsidiaries need to share the pension	0
Job Composition	
Job Composition Categories	Number of persons involved in the job composition
Production	380
Sales	3,542
Technical	362
Financial	162
Administrative	455
Total	4,901
Education background	
Education levels	Number of persons
Master's degree or higher	73
Undergraduate	716
Junior college	1,295
Below junior college	2,817
Total	4,901

2. Remuneration Policy

The Company has worked out its remuneration policy by taking its business development planning and characteristics of the industry it is engaged in into consideration and based on the principles of focusing on the values, co-creating and sharing and 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:

Classification and grading 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;

Total budget 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;

Being value-oriented and creating shared value: The Company designs a remuneration incentive system in accordance with the closed-loop value chain of value creation-value evaluation-value distribution. With value creation as the key link, the Company has established incentive mechanism with the features of the remuneration to employees fluctuating depending on the Company's business achievement and personal performances while in favor of the core and key talents through the establishment of value assessment system in compliance with the strategy development goal and the real-time incentive system.

3. Training Program

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

The Company focuses on the watch industry and has established the strategic goal of "Inheriting AVIC's Spirit of Serving the Country and Practicing the Great Brand". The brand strategy of the great brand is promoting the business transformation and upgrading. With the rapid business development, the Company has higher requirements on the preparation of business leaders, key technical personnel and talents for the specialized posts. Therefore, in terms of staff training, the Company relies on FIYTA College to focus on echelon talent training, build a talent reserve pool, and improve the readiness of talents in the organization. In the training of talents for key posts, the Company strengthens the learning of professional ability of key posts, extracts the knowledge and experience of the posts, and creates a learning atmosphere within the organization. The Company carries forward the construction of the professional post talent training system through the "Master Craftsmen Reservoir", "Lean Six Sigma" and other projects.

Strengthening knowledge management ability and precipitating the intra-company lecturer team

The Company has built an intra-company lecturer system, extracted position experts and key staff's job experience, converted personal experience in the organization into organizational experience, and improved the overall professional capabilities of the team. With each department and each business type as a unit, the lecturer activities are carried out, and excellent internal courses are selected through the "whoever learns better can be the teacher" to form a learning system for each post in the Company.

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.

4. Labor Outsourcing

Inapplicable

Section 10 Corporate Governance

I. General

In year 2020, the Company kept improving the Company's corporate governance structure strictly according to the PRC Company Law, the PRC Securities Law and the regulations of China Securities Regulatory Commission concerning governance of listed companies, and tried to enhance construction of modern enterprise system, upgraded the level of regulatory operation of the Company. As a result, there was no discrepancy between the situation of the Company's corporate governance and the regulatory documents of China Securities Regulatory Commission concerning governance of listed companies.

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

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

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

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

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

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

provisions of CSRC.

No

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

The Company is independent in business, personnel, assets, organization and finance from its controlling shareholder. The Company has completed 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. Huang Yongfeng, Mr. Zhang Zhibiao, Mr. Xiao Yi, Mr. Xiao Zhanglin and Mr. Li Peiyin, the five directors, and Mr. Zheng Qiyan, 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	Disclosure index
2020 1st Extraordinary General Meeting	Extraordinary General Meeting	36.96%	April 13, 2020	April 14, 2020	http://www.cninfo.com.cn/

2019 Annual General Meeting	Annual General Meeting	38.61%	June 04, 2020	June 05, 2020	http://www.cninfo.com.cn/
2020 2nd Extraordinary General Meeting	Extraordinary General Meeting	38.16%	July 23, 2020	July 24, 2020	http://www.cninfo.com.cn/
2020 3rd Extraordinary General Meeting	Extraordinary General Meeting	38.17%	September 15, 2020	September 16, 2020	http://www.cninfo.com.cn/

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

Inapplicable

V. Duty Performance of Independent Directors in the Reporting Period

1. Attendance of Independent Directors for Board Meetings and General Meetings

Attendance of Independent Directors for Board Meetings and General Meetings							
Names of Independent 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
Wang Jianxin	10	0	10	0	0	No	4
Zhong Hongming	10	0	10	0	0	No	0
Tang Xiaofei	10	0	10	0	0	No	0

Note to failure to attend the board meeting successively twice

Inapplicable

2. Objection of independent directors on some relevant issues

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

No

3. Other Note to Duty Performance of Independent Directors

Have the independent directors' recommendations to the Company been accepted

Yes

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

During the reporting period, the Company's independent directors actively attended relevant meetings held by the company in 2020, performed their duties as independent directors diligently, independently, objectively and fairly strictly in accordance with relevant laws and regulations, gave full play to the role of independent directors, and effectively maintained The overall interests of the Company and the legitimate rights and interests of shareholders, especially minority shareholders. The Company positively listens to and adopts its independent directors' opinions on business

development and corporate governance.

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

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

During the reporting period, the Strategy Committee performed its duties strictly according to the law and regulations, the Articles of Association and the Rules for Implementation of the Special Committees of the Board of Directors, continued to do research work on the strategic planning for the Company's long term development and supervised the Company in implementation of various strategies. The Strategy Committee held 2 meetings. The two meetings reviewed and approved the Work Report of the Board of Directors of Year 2019 and the Profit Distribution for Year 2019 and increment of capital to its solely-owned subsidiaries.

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

During the reporting period, the Audit Committee performed its duties strictly according to the law and regulations, the Articles of Association and the Rules for Implementation of the Special Committees of the Board of Directors. The committee held altogether 6 meetings which reviewed and approved 2019 Annual Report, the Internal Control Self-Assessment Report for Year 2019, 2019 Internal Audit Report, 2020 1st Quarterly Report, 2020 Semi-annual Report, 2020 3rd Quarterly Report, the Proposal for Repurchase of Partial Domestically Listed Foreign Shares (B-shares) and the Proposal for Increment of Capital in the Solely-owned Subsidiaries, etc.

Summary Report on Performance of the Committee of Nomination, Remuneration and Assessment of the Board of Directors

During the reporting period, the Committee of Nomination, Remuneration and Assessment performed its duties strictly according to the law and regulations, the Articles of Association and the Rules for Implementation of the Special Committees of the Board of Directors. The committee held altogether 7 meetings which reviewed and approved the Proposal for Repurchasing and Canceling Partial Restricted Shares Involved in 2018 Restricted A-Share Incentive scheme (Phase I), the Proposal for the Remuneration to Directors and Senior Executives and Change of the Securities Affairs Representative for Year 2019, 2018 Restricted A-Share Incentive scheme (Phase II) (Draft) and the summary, the Measures for Implementation, Assessment and Management of 2018 Restricted A-Share Incentive scheme (Phase II), and the release conditions for the first release period of 2018 Restricted A-Share Incentive Scheme (Phase I) have been satisfied, etc.

VII. Work Summary of the Supervisory Committee

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

VIII. Assessment and Incentive Mechanism for Senior Executives

1. Assessment of Senior Executives

In order to give full play to and mobilize the enthusiasm and creativity of the Company's senior executives, to better improve the Company's operating ability, economic benefit and ensure the realization of the Company's strategic goals, based on the establishment of an incentive and constraint mechanism compatible with the modern enterprise system, the

Company conducts comprehensive assessments according to the annual business performance and the work objectives of the senior executives in charge of the respective work, and conducts strategic review and assessment on a quarterly basis, based on the results of the assessment and performance completion and determine the total remuneration and whether to renew their offices.

2. Incentive to Senior Executives

(1) 2018 Restricted A-Share Incentive Scheme (Phase I)

The 3rd session of the Ninth Board of Directors held on November 12, 2018 and 2019 1st Extraordinary General Meeting held on January 11, 2019 decided to start 2018 Restricted A-Share Incentive scheme (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. Of them, 9 persons were directors and senior executives. They were awarded total 710,000 shares of Restricted A-Share, taking 0.1618% of the Company's total capital stock.

The 24th session of the Ninth Board of Directors held on December 29, 2020 reviewed and approved the Proposal on the Release Conditions having been Satisfied for the First Release Period of 2018 Restricted A-Share Incentive Scheme (Phase I). According to the incentive scheme, the release conditions for the first release period of 2018 Restricted A-Share Incentive Scheme (Phase I) have been satisfied. Authorized by 2019 1st Extraordinary General Meeting, the Board of Directors decided that the Company was to release the restriction for the participants in compliance with the release conditions. The number of restricted shares to be released this time accounted for 33.3% of the restricted shares. Among them, the number of restricted shares granted to 9 directors and senior executives totaled 710,000 shares. The total number of the restricted shares which can be released this time was 236,430 shares, accounting for 0.0552% of the Company's total share capital.

Names	Title	Number of restricted shares awarded (in 10,000 shares)	Number of restricted shares to be released this time (in 10,000 shares)	Remaining number of restricted shares not to be released (in 10,000 shares)	Proportion of restricted shares to be released this time in the Company's total share capital (%)
Huang Yongfeng	Chairman of the Board	10	3.33	6.67	0.0078
Pan Bo	Managing Director	8	2.664	5.336	0.0062
Lu Wanjun	Deputy GM	8	2.664	5.336	0.0062
Liu Xiaoming	Deputy GM	8	2.664	5.336	0.0062
Li Ming	Deputy GM	8	2.664	5.336	0.0062
Chen Zhuo	Chief Accountant & Secretary of the Board	8	2.664	5.336	0.0062
Tang Haiyuan	Deputy GM	6	1.998	4.002	0.0047
Chen Libin	Managing Director (retired)	10	3.33	6.67	0.0078
Xu Chuangyue	Deputy GM (retired)	5	1.665	3.335	0.0039
Core personnel of management, business, professions and technology (113 persons)		336.7	112.1211	224.5789	0.2619
Total (122 persons)		407.7	135.7641	271.9359	0.3171

The above restricted shares with the restriction released got listed for trading on February 1, 2021.

(2) 2018 Restricted A-Share Incentive Scheme (Phase II)

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 Restricted A-Share Incentive Scheme (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. Of them, 8 persons were directors and senior executives. They were awarded total 1.23 million restricted A-shares, taking 0.2873% of the Company's total capital stock, with the detail as follows:

Names	Title	Number of restricted shares awarded (in 10,000 shares)	Proportion of the awarded equity In the total equity	Proportion of the awarded equity in the total capital stock
Pan Bo	Managing Director	15	1.96%	0.35
Lu Wanjun	Deputy GM	15	1.96%	0.35
Liu Xiaoming	Deputy GM	15	1.96%	0.35
Li Ming	Deputy GM	15	1.96%	0.35
Chen Zhuo	Chief Accountant & Secretary of the Board	15	1.96%	0.35
Tang Haiyuan	Deputy GM	15	1.96%	0.35
Chen Libin	Managing Director (retired)	18	2.35%	0.42
Xu Chuangyue	Deputy GM (retired)	15	1.96%	0.35
Other core personnel of management, sales, professions and technology (127 persons)		643	83.93%	15.02
Total (135 persons)		766	100%	17.89% (1.79%)

This part of restricted shares are still in the lock-up period.

IX. Internal Control

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

No

2. Self-assessment Report of the Internal Control

Date of disclosing the full text of the internal control assessment report	March 10, 2021	
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	① The defect involving fraud of the directors, supervisors and senior executives; ② correction of the financial statements already published;③ the CPA found that there existed serious misstatement in the financial statements of the reporting period while the internal control failed to find the misstatement in process of operation; ④ the Company's auditing committee and supervision and audit department conducted ineffective supervision of the internal control.	① seriously violating the PRC laws, administrative regulations and normative documents; ② "decision on major issues, important officer appointment and/or removal and arrangement of important projects as well as application of big sum of fund have not undergone collective decision-making procedures; ③ serious running off of officers and technicians of the key positions; ④ there is no system control available for the Company's production and operation practice or the system no longer works; ⑤ the internal control for information disclosure no longer works, having caused the Company censured publicly by the regulatory

		important defects have not been rectified.
Quantitative criteria	① Material defects: Misstatement \geq 5% of the pre-tax profit; ② Important defects: 1% of profit before tax \leq Misstatement $<$ 5% of profit before tax; ③ Common defects: Misstatement $<$ 1% of profit before tax	① Material defects: Misstatement \geq 5% of the pre-tax profit; ② Important defects: 1% of profit before tax \leq Misstatement $<$ 5% of profit before tax; ③ Common defects: Misstatement $<$ 1% of profit
Number of material defects in the financial statements (pcs)		0
Number of material defects in the non-financial statements (pcs)		0
Number of important defects in the financial report (pcs)		0
Number of important defects in the non-financial statements (pcs)		0

X. 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, 2020.		
Disclosure of the internal control audit report		Disclosed
Date of disclosing the full text of the internal control assessment report		March 10, 2021
Index of disclosing the full text of the internal control audit report		www.cninfo.com.cn
Type of the opinions in the internal control audit report		Standard unqualified auditor's report
Are there any material defects in the non-financial report		No

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

No

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

Yes

Section 11 Bond Related Information

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

No

Section 12 Financial Report**Auditor's Report**

GTCNSZ(2021)NO.110A002280

To All Shareholders of FIYTA Precision Technology Co., Ltd.:**Opinion**

We have audited the financial statements of FIYTA Precision Technology Co., Ltd. ("FIYTA Ltd." or the "Company"), which comprise the consolidated and Company balance sheets as at 31 December 2020, and the consolidated and Company income statements, consolidated and Company cash flow statements and consolidated and Company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Company financial positions of FIYTA Ltd. as at 31 December 2020, and their financial performance and their cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the FIYTA Ltd. and have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Chinese Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

1. Existence of inventory and its net realizable value

Refer to Note III 12 and Note V 6 for detailed information.

(1) Description

As at 31 December 2020, the book balance, provision for decline in value, and carrying amount of inventory were RMB 2,029.51 million, RMB97.73 million and RMB 1,931.78 million respectively. The carrying amount of inventory accounts for 48.07% 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

- (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) Understanding and evaluating the appropriateness of the Company's policy in provision for decline in value;
- (iii) Understanding and inquiring the locations of inventory storage, measurement method of inventory so as to determining the scope of inventory physical observation;
- (iv) 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.

- (v) 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;
- (vi) Reviewing and evaluating the appropriateness of significant estimates made by the Management in determining the NRV of inventory;
- (vii) 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.
- (viii) 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 presentation and disclosure of inventory and the judgment on NRV made by the management is supportable.

2. Revenue recognition

Refer to Note III 25 and Note V 34 for detailed information.

(1) Description

In 2020, the Company's income from main business was RMB4,226.99 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 III 25 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

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

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

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 2020 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.

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

The Management 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.

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.

Grant Thornton
China · Beijing

Auditor's signature and stamp
(Engagement partner)

Auditor's signature and stamp

8 March 2021

Consolidated and Company Balance Sheet

as at 31 December 2020

Prepared by: FIYTA Precision Technology Co., Ltd.

Expressed in
RMB

Item	Note	As at 31/12/2020		As at 31/12/2019	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash at bank and on hand	V. 1	353,057,285.71	292,055,169.74	316,668,565.09	270,673,346.02
Financial assets held for trading		-	-	-	-
Bills receivable	V. 2	48,192,442.15	-	10,596,431.31	-
Accounts receivable	V. 3	475,598,684.88	1,464,798.79	397,471,106.98	2,848,025.39
Accounts receivable financing		-	-	-	-
Prepayments	V. 4	16,612,773.76	-	10,847,962.28	-
Other receivables including: interests receivables	V. 5	52,902,779.63	621,512,680.69	47,239,844.58	783,647,732.22
dividend receivables		-	-	-	-
Inventories	V. 6	1,931,780,185.85	-	1,808,820,089.92	-
Contract asset		-	-	Not applicable	Not applicable
Assets held for sale		-	-	-	-
Non-current assets due within one year		-	-	-	-
Other current assets	V. 7	75,935,141.76	11,655,617.82	68,858,096.74	12,380,243.67
Total current assets		2,954,079,293.74	926,688,267.04	2,660,502,096.90	1,069,549,347.30
Non-current assets:					
Debt investment		-	-	-	-
Other debt investment		-	-	-	-
Long-term receivable		-	-	-	-
Long-term equity investments	V. 8	51,400,665.92	1,529,415,188.28	46,423,837.85	1,380,895,239.27
Other equity instrument investments	V. 9	85,000.00	85,000.00	85,000.00	85,000.00
Other non-current financial assets		-	-	-	-

Investment properties	V. 10	398,086,447.78	323,296,494.84	407,503,307.24	329,970,083.18
Fixed assets	V. 11	352,734,280.76	224,709,747.39	363,997,098.94	238,594,698.50
Construction in progress		-	-	-	-
Intangible assets	V. 12	37,859,316.51	27,347,950.13	38,711,821.26	30,925,974.54
Development costs		-	-	-	-
Goodwill		-	-	-	-
Long-term deferred expenses	V. 13	130,017,587.99	11,980,697.97	152,587,491.33	12,106,759.98
Deferred tax assets	V. 14	80,913,800.35	1,380,180.94	83,739,383.37	1,125,840.75
Other non-current assets	V. 15	13,536,307.13	473,312.35	7,373,248.48	4,707,236.86
Total non-current assets		1,064,633,406.44	2,118,688,571.90	1,100,421,188.47	1,998,410,833.08
Total assets		4,018,712,700.18	3,045,376,838.94	3,760,923,285.37	3,067,960,180.38

Consolidated and Company Balance Sheet (continued)

as at 31 December 2020

Item	Note	As at 31/12/2020		As at 31/12/2019	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term loans	V. 16	542,673,278.09	400,425,930.05	567,908,833.21	540,650,622.50
Financial liabilities held for trading		-	-	-	-
Bills payable	V. 17	3,581,360.00	-	-	-
Accounts payable	V. 18	301,211,515.39	1,481,135.49	279,772,787.37	12,952,934.93
Advances from customers	V. 19	9,991,850.67	9,991,850.67	23,433,463.57	3,434,407.04
Contract liabilities	V. 20	18,213,396.49	37,735.85	Not applicable	Not applicable
Employee remuneration payable	V. 21	132,853,462.20	25,256,531.70	82,602,845.67	19,019,554.57
Taxes payable	V. 22	68,925,271.90	2,778,265.84	24,064,803.00	1,713,130.68
Other payables including: interest payables	V. 23	128,577,597.94	240,824,305.37	119,616,721.63	82,631,590.46
dividend payables		1,639,513.77	1,639,513.77	848,233.27	848,233.27
Liabilities held for sale		-	-	-	-
Non-current liabilities due within one year	V. 24	370,030.00	-	360,140.00	-
Other current liabilities	V. 25	2,299,755.09	2,264.15	-	-
Total current liabilities		1,208,697,517.77	680,798,019.12	1,097,759,594.45	660,402,240.18
Non-current liabilities:					
Long-term loans	V. 26	4,070,330.00	-	4,321,680.00	-
Bonds payable		-	-	-	-
Long-term payables		-	-	-	-
Provisions		-	-	-	-
Deferred income	V. 27	2,916,346.43	2,377,718.35	3,046,090.60	3,046,090.60
Deferred tax liabilities	V. 14	3,067,834.55	-	1,256,242.49	-
Other non-current liabilities		-	-	-	-

Total non-current liabilities		10,054,510.98	2,377,718.35	8,624,013.09	3,046,090.60
Total liabilities		1,218,752,028.75	683,175,737.47	1,106,383,607.54	663,448,330.78
Shareholder's equity:					
Share capital	V. 28	428,091,881.00	428,091,881.00	442,968,881.00	442,968,881.00
Capital reserve	V. 29	1,021,490,387.78	1,027,145,928.88	1,081,230,215.32	1,086,885,756.42
Less: treasury shares	V. 30	61,633,530.48	61,633,530.48	71,267,118.78	71,267,118.78
Other comprehensive income	V. 31	976,871.41	-	940,209.09	-
Specific reserve		-	-	-	-
Surplus reserve	V. 32	246,531,866.87	246,531,866.87	235,701,180.14	235,701,180.14
Undistributed profit	V. 33	1,164,490,911.51	722,064,955.20	966,840,818.40	710,223,150.82
Total equity attributable to shareholders of the Company		2,799,948,388.09	2,362,201,101.47	2,654,533,766.99	2,404,511,849.60
Non-controlling interests		12,283.34	-	5,910.84	-
Total shareholders' equity		2,799,960,671.43	2,362,201,101.47	2,654,539,677.83	2,404,511,849.60
Total liabilities and shareholders' equity		4,018,712,700.18	3,045,376,838.94	3,760,923,285.37	3,067,960,180.38

Consolidated and Company Income Statement

For the year ended 31 December 2020

Prepared by: FIYTA Precision Technology Co., Ltd.

Expressed in
RMB

Item	Note	Year ended 31/12/2020		Year ended 31/12/2019	
		Consolidated	Company	Consolidated	Company
I. Operating income	V. 34	4,243,439,952.59	137,381,795.95	3,704,210,734.90	140,511,246.61
Less: operating costs	V. 34	2,639,229,537.06	36,497,097.45	2,217,207,732.04	21,776,539.35
Taxes and surcharges	V. 35	25,444,139.30	4,435,717.73	28,192,789.55	4,623,611.23
Selling and distribution expenses	V. 36	870,713,899.32	1,579,092.51	865,792,078.61	1,130,383.07
General and administrative expenses	V. 37	256,559,127.23	76,604,523.40	240,619,989.04	84,134,946.30
Research and development expenses	V. 38	51,489,323.49	19,933,292.70	45,057,740.25	17,580,327.66
Financial expenses	V. 39	33,449,276.41	3,127,102.39	32,815,277.57	7,037,707.90
Including: Interest expenses		21,315,119.78	6,230,252.39	23,975,351.93	8,393,727.80
Interest income		4,941,334.19	4,609,988.68	1,956,316.52	1,696,829.44
Add: Other income	V. 40	25,170,397.09	9,324,872.59	18,428,906.18	9,066,722.30
Investment income ("-" for losses)	V. 41	5,072,577.64	104,976,828.07	1,787,907.10	114,542,774.70
Including: Income from investment in associates and joint ventures ("-" for losses)		5,072,577.64	4,976,828.07	1,787,907.10	1,542,774.70
Gain from de-recognition of financial assets measured at amortized costs ("-" for losses)		-	-	-	-
Gain from net exposure hedging ("-" for losses)		-	-	-	-
Gain from fair value changes ("-" for losses)		-	-	-	-
Credit impairment losses ("-" for losses)	V. 42	9,096,922.74	158,252.51	16,640,961.07	100,882.96
Asset impairment losses ("-" for losses)	V. 43	15,426,526.41	-	4,295,134.48	-

Gains from assets disposal ("-" for losses)	V. 44	- 369,857.30	- 25,000.50	- 926,118.60	- 537,935.27
II. Operating profit ("-" for losses)		371,904,318.06	109,323,417.42	272,879,726.97	127,198,409.87
Add: Non-operating income	V. 45	3,111,413.64	259,345.80	4,754,105.30	88,886.65
Less: Non-operating expenses	V. 46	1,555,112.86	15,864.83	1,400,188.87	210,174.24
III. Profit before income tax ("-" for losses)		373,460,618.84	109,566,898.39	276,233,643.40	127,077,122.28
Less: Income tax expenses	V. 47	79,338,516.60	1,260,031.08	60,324,629.25	223,258.88
IV. Net profit for the year ("-" for net losses)		294,122,102.24	108,306,867.31	215,909,014.15	126,853,863.40
(1) Classification according to operation continuity					
Including: Net profit from continuing operations ("-" for net loss)		294,122,102.24	108,306,867.31	215,909,014.15	126,853,863.40
Net profit from discontinued operations ("-" for net loss)		-	-	-	-
(2) Classification according to ownership					
Including: attributable to shareholders of the Company ("-" for net loss)		294,115,156.04	108,306,867.31	215,909,014.15	126,853,863.40
attributable to non-controlling interests ("-" for net loss)		6,946.20	-	-	-
V. Other comprehensive income, net of tax		1,916,506.80	-	4,502,059.89	-
Other comprehensive income (net of tax) attributable to shareholders of the company		1,917,080.50	-	4,501,930.69	-
A. Items that will not be reclassified to profit or loss		-	-	-	-
B. Items that may be reclassified to profit or loss		1,917,080.50	-	4,501,930.69	-
a. Translation differences arising from translation of foreign currency financial statements		1,917,080.50	-	4,501,930.69	-
b. Others		-	-	-	-
Other comprehensive income (net of tax) attributable to non-controlling interests		573.70	-	129.20	-
VI. Total comprehensive income for the year		296,038,609.04	108,306,867.31	220,411,074.04	126,853,863.40
Attributable to: Shareholders of the Company		296,032,236.54	108,306,867.31	220,410,944.84	126,853,863.40

Non-controlling interests		6,372.50	-	129.20	-
VII.Earnings per share:					
(1) Basic earnings per share		0.6764		0.4943	
(2) Diluted earnings per share		0.6764		0.4943	

Consolidated and Company Cash Flow Statement

For the year ended 31 December 2020

Prepared by: FIYTA Precision
Technology Co., Ltd.

Expressed in RMB

Item	Note	Year ended 31/12/2020		Year ended 31/12/2019	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities					
Cash received from sales of goods and rendering of services		4,602,638,695.31	178,808,738.19	4,058,167,395.57	129,299,543.07
Cash received from refund of taxes		1,849,055.57	-	5,510,592.39	301,416.23
Cash received from other operating activities	V. 48	78,001,812.45	4,238,779,521.46	93,832,379.85	3,935,449,332.96
Subtotal of cash inflows from operating activities		4,682,489,563.33	4,417,588,259.65	4,157,510,367.81	4,065,050,292.26
Cash paid for purchasing goods and services		3,046,261,111.48	-	2,398,294,588.87	-
Cash paid to and for employees		578,179,070.15	61,903,446.81	584,435,566.86	74,123,969.83
Cash paid for tax and surcharges		222,180,568.75	9,345,329.15	241,905,980.66	12,227,836.75
Cash paid for other operating activities	V. 48	457,658,307.08	3,948,860,602.89	488,053,462.81	3,807,983,200.74
Subtotal of cash outflows in operating activities		4,304,279,057.46	4,020,109,378.85	3,712,689,599.20	3,894,335,007.32
Net cash flows from operating activities		378,210,505.87	397,478,880.80	444,820,768.61	170,715,284.94
II. Cash flows from investing activities					
Cash received from disposal of investments		-	-	-	-
Cash received from returns on investments		-	100,000,000.00	-	113,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		150,556.62	1,630.00	626,107.64	134,060.00
Net cash received from disposal of subsidiaries and other business units		-	-	-	-
Cash received from other investing activities		-	-	-	-
Subtotal of cash inflows from investing activities		150,556.62	100,001,630.00	626,107.64	113,134,060.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		133,531,954.47	17,398,218.00	166,689,454.32	40,173,154.98
Cash paid to acquire investments		-	139,500,000.00	-	-
Net cash paid to acquire subsidiaries and other business units		-	-	-	-
Cash paid for other investing activities		-	-	-	-

Subtotal of cash outflows in investing activities		133,531,954.47	156,898,218.00	166,689,454.32	40,173,154.98
Net cash flows from investing activities		133,381,397.85	56,896,588.00	166,063,346.68	72,960,905.02
III. Cash flows from financing activities :					
Cash received from capital contributions		-	-	18,585,600.00	18,585,600.00
Including: Cash received from capital contributions by non-controlling intetests of subsidiaries		-	-	-	-
Cash received from loans		743,213,671.65	601,000,000.00	700,262,726.76	670,000,000.00
Cash received from other financing activities		-	-	-	-
Sub-total of cash inflows from financing activities		743,213,671.65	601,000,000.00	718,848,326.76	688,585,600.00
Cash repayments of borrowings		768,247,433.10	741,000,000.00	681,461,355.87	635,000,000.00
Cash paid for dividends and profits distribution and interests		106,703,352.70	104,195,155.07	111,024,929.61	110,048,303.96
Including: Cash payments for dividends or profit to non-controlling intetests of subsidiaries		-	-	-	-
Cash paid for other financing activities	V. 48	72,317,669.93	72,317,669.93	53,117,325.02	53,117,325.02
Sub-total of cash outflows in financing activities		947,268,455.73	917,512,825.00	845,603,610.50	798,165,628.98
Net cash flows from financing activities		204,054,784.08	316,512,825.00	126,755,283.74	109,580,028.98
IV. Effect of foreign exchange rate changes on cash and cash equivalents		2,810,603.32	1,112,644.08	468,366.93	31,718.77
V. Net increase in cash and cash equivalents		37,963,720.62	22,956,823.72	152,470,505.12	134,127,879.75
Add: cash and cash equivalents at beginning of year		315,093,565.09	269,098,346.02	162,623,059.97	134,970,466.27
VI. Cash and cash equivalent at end of year		353,057,285.71	292,055,169.74	315,093,565.09	269,098,346.02

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020

Prepared by: FIYTA Precision Technology Co., Ltd.

Expressed in
RMB

Item	Year ended 31/12/2020								
	Total shareholders' equity attributable to shareholders of the parent company							Non-controlling interests	Total
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profit		
I. Balance at the end of prior year	442,968,881.00	1,081,230,215.32	71,267,118.78	-940,209.09	-	235,701,180.14	966,840,818.40	5,910.84	2,654,539,677.83
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	442,968,881.00	1,081,230,215.32	71,267,118.78	940,209.09	-	235,701,180.14	966,840,818.40	5,910.84	2,654,539,677.83
III. Changes in equity during the year("- "for	14,877,000.00	-59,739,827.54	9,633,588.30	1,917,080.50	-	10,830,686.73	197,650,093.11	6,372.50	145,420,993.60

decrease)									
(I)Total comprehensive income	-	-	-	1,917,080.50	-	-	294,115,156.04	6,372.50	296,038,609.04
(II)Shareholders' contributions and decrease of capital	14,877,000.00	-59,739,827.54	9,633,588.30	-	-	-	-	-	-64,983,239.24
1.Contribution by ordinary shareholders	14,877,000.00	-65,264,104.92	8,802,188.30	-	-	-	-	-	-71,338,916.62
2.Increase in shareholders' equity resulted from share-based payments	-	5,570,601.49	831,400.00	-	-	-	-	-	6,402,001.49
3. Others	-	-46,324.11	-	-	-	-	-	-	-46,324.11
(III) Appropriation of profits	-	-	-	-	-	10,830,686.73	96,465,062.93	-	-85,634,376.20
1. Appropriation for surplus reserves	-	-	-	-	-	10,830,686.73	10,830,686.73	-	-
2. Distributions to shareholders	-	-	-	-	-	-	85,634,376.20	-	-85,634,376.20
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-	-
1.Share capital increased by capital reserves transfer	-	-	-	-	-	-	-	-	-
2.Share capital increased by surplus reserves transfer	-	-	-	-	-	-	-	-	-

3.Transfer of surplus reserve to offset losses	-	-	-	-	-	-	-	-	-
4. Other comprehensive income transferred to retained earning	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-
(V)Specific Reserve	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-	-
2.Utilisation during the year	-	-	-	-	-	-	-	-	-
(VI)Others	-	-	-	-	-	-	-	-	-
IV.Balance at end of current 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

Consolidated Statement of Changes in Shareholder's Equity

For the year ended 31 December 2020

Prepared by: FIYTA Precision Technology Co., Ltd.

Expressed in RMB

Item	Year ended 31/12/2019								
	Total shareholders' equity attributable to shareholders of the parent company							Non-controlling interests	Total
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profit		
I. Balance at the end of prior year	438,744,881.00	1,062,455,644.22	-	-5,442,139.78	-	223,015,793.80	851,360,603.66	5,781.64	2,570,140,564.54
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	438,744,881.00	1,062,455,644.22	-	-5,442,139.78	-	223,015,793.80	851,360,603.66	5,781.64	2,570,140,564.54
III.Changes in equity during the year("- "for decrease)	4,224,000.00	18,774,571.10	71,267,118.78	4,501,930.69	-	12,685,386.34	115,480,214.74	129.20	84,399,113.29
(I)Total comprehensive income	-	-	-	4,501,930.69	-	-	215,909,014.15	129.20	220,411,074.04
(II)Shareholders' contributions and decrease of capital	4,224,000.00	18,774,571.10	71,267,118.78	-	-	-	-	-	-48,268,547.68

1. Contribution by ordinary shareholders	4,224,000.00	14,361,600.00	71,267,118.78		-	-	-	-	-	52,681,518.78
2. Increase in shareholders' equity resulted from share-based payments	-	4,440,625.91	-	-	-	-	-	-	-	4,440,625.91
3. Others	-	27,654.81	-	-	-	-	-	-	-	27,654.81
(III) Appropriation of profits	-	-	-	-	-	12,685,386.34	100,428,799.41	-	-	87,743,413.07
1. Appropriation for surplus reserves	-	-	-	-	-	12,685,386.34	12,685,386.34	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	87,743,413.07	-	-	87,743,413.07
3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-	-	-
1. Share capital increased by capital reserves transfer	-	-	-	-	-	-	-	-	-	-
2. Share capital increased by surplus reserves transfer	-	-	-	-	-	-	-	-	-	-
3. Transfer of surplus reserve to offset losses	-	-	-	-	-	-	-	-	-	-
4. Other comprehensive income transferred to retained earning	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-
(V) Specific Reserve	-	-	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-	-	-
2. Utilisation during the year	-	-	-	-	-	-	-	-	-	-

(VI)Others	-	-	-	-	-	-	-	-	-
IV.Balance at end of current year	442,968,881.0 0	1,081,230,215. 32	71,267,118. 78	- 940,209.09	-	235,701,18 0.14	966,840,818.40	5,910.84	2,654,539,677.8 3

Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020

Prepared by: FIYTA Precision Technology Co., Ltd.

Expressed in RMB

Item	Year ended 31/12/2019							
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profit	Total
I. Balance at the end of prior year	438,744,881.00	1,068,111,185.32	-	-	-	223,015,793.80	683,798,086.83	2,413,669,946.95
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	438,744,881.00	1,068,111,185.32	-	-	-	223,015,793.80	683,798,086.83	2,413,669,946.95
III.Changes in equity during the year("- "for decrease)	4,224,000.00	18,774,571.10	71,267,118.78	-	-	12,685,386.34	26,425,063.99	-
(I)Total comprehensive income	-	-	-	-	-	-	126,853,863.40	126,853,863.40
(II)Shareholders' contributions and decrease of capital	4,224,000.00	18,774,571.10	71,267,118.78	-	-	-	-	-
1.Contribution by ordinary shareholders	4,224,000.00	14,361,600.00	71,267,118.78	-	-	-	-	-

2.Increase in shareholders' equity resulted from share-based payments	-	4,440,625.91	-	-	-	-	-	4,440,625.91
3. Others	-	27,654.81	-	-	-	-	-	27,654.81
(III) Appropriation of profits	-	-	-	-	-	12,685,386.34	100,428,799.41	87,743,413.07
1. Appropriation for surplus reserves	-	-	-	-	-	12,685,386.34	12,685,386.34	-
2. Distributions to shareholders	-	-	-	-	-	-	87,743,413.07	87,743,413.07
3. Others	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-
1.Share capital increased by capital reserves transfer	-	-	-	-	-	-	-	-
2.Share capital increased by surplus reserves transfer	-	-	-	-	-	-	-	-
3.Transfer of surplus reserve to offset losses	-	-	-	-	-	-	-	-
4. Other comprehensive income transferred to retained earning	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
(V)Specific Reserve	-	-	-	-	-	-	-	-
1. Appropriation during the year	-	-	-	-	-	-	-	-
2.Utilisation during the year	-	-	-	-	-	-	-	-
(VI)Others	-	-	-	-	-	-	-	-
IV.Balance at end 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

Notes to the Financial Statements

I. Company status

1. Company's profile

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

Pursuant to the approval of Shen Ren Yin Fu Zi (1993) 070 issued by the People's Bank of China Shenzhen Special Economic Zone Branch, the Company issued Renminbi ordinary shares (A shares) and Renminbi special shares (B shares) publicly on 10 March 1993. On 3 June 1993, both the Company's A shares and B shares were listed and traded on Shenzhen Stock Exchange pursuant to the approval of Shen Zheng Ban Fu (1993) 20 issued by Shenzhen Securities Regulatory Office and Shen Zheng Shi Zi (1993)16 issued by Shenzhen Stock Exchange.

On 30 January 1997, the Company name changed to Shenzhen FIYTA Holdings Limited with the approval of Shenzhen Municipal Administration for Industry and Commerce.

On 4 July 1997, China National Aero-Technology Shenzhen Co., Ltd. ("CATIC Shenzhen Company") transferred 72,360,000 corporate shares (accounting for 52.24% of the Company's total share capital) to Shenzhen China Aviation Group Company Limited (previously known as "Shenzhen China Aviation Industry Company Limited", hereinafter referred to as "China National Aviation Group") according to share transfer agreement signed by both parties. As a result, the Company's controlling shareholder changed from CATIC Shenzhen Company to China National Aviation Group.

On 26 October 2007, the Company implemented split-share reform. Under the prerequisite of maintaining the Company's total of 249,317,999 shares unchanged, the Company's shareholders of non-tradable shares paid 3.1 shares per 10 tradable shares to all the tradable share shareholders registered on registration date designated by the split-share reform program. At that point, after the reform, the shares held by China National Aviation Group reduced from 52.24% to 44.69%.

On 29 February 2008, due to expanding the scope of business, the Company's corporate business license was altered from Shen Si Zi No. 4403011001583 to No. 440301103196089 with the approval of Shenzhen Municipal Administration for Industry and Commerce.

With the approval of "Reply of China Securities Regulatory Commission (CSRC) to the Approval of Private Placement of Shenzhen FIYTA Holdings Limited" (Zheng Jian Xu Ke [2010]1703) and "Reply of State-owned Assets Supervision and Administration Commission of the State Council (SASAC) on Issues in Private Placement of Shenzhen FIYTA Holdings Limited" (SASAC (2010)430) in 2010, the Company is approved to issue not more than 50,000,000 ordinary shares (A shares) by private placement. After the completion of the placement on 9 December 2010, the Company's registered capital increased to RMB280,548,479.00 and the equity capital of the Company held by China National Aviation Group reduced to 41.49%.

On 3 March 2011, the Company name changed to FIYTA Holdings Limited with the approval of Shenzhen Municipal Administration for Industry and Commerce. On 8 April 2011, the Company increased its share capital by 4 shares for every 10 shares by capitalizing the capital reserve on the basis of total shares of 280,548,479 as at 31 December 2010. Total shares of the Company changed to 392,767,870 shares after the increase.

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

On 4 January 2019, pursuant to the approval by "Reply to approval of Implementation of First Phase of Restricted Share Incentive plan of FIYTA (Group) Holding Ltd." (GuoZi KaoFen [2018] No. 936) issued by SASAC, and approved by the board of directors and shareholder's general meeting, the Company implemented the incentive plan. On 11 January 2019, the restricted share incentive plan (first phase) granted a total of 4,224,000 restricted A-shares to 128 incentive individuals. As a result, the Company's registered capital increased to RMB442,968,881.00 and the equity capital held by China National Aviation Group decreased to 36.79%.

According to the "Proposal of Change the Company's name and initials for A share stock" approved by the 3rd extraordinary shareholder's meeting in 2019, and upon examination and approval by Shenzhen Administration for Industry and Commerce, the Company's name was changed from "FIYTA (Group) Co., Ltd. to "FIYTA Precision Technology Co., Ltd." since 9 January 2020.

On 29 April 2020, under the review and confirmation by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, the Company de-registered 14,730,000 shares of B-share that were repurchased previously.

Pursuant to the resolution of "Proposal of repurchase and de-registration part of restricted shares authorised under 2018 A-share Restricted Share Incentive Plan (First Phase)", in 2020, the Company repurchased and de-registered 147,000 A-share restricted shares that had been authorised but still under restriction period. Those shares were owned by 6 former incentive individuals that are resigned. After the change, the Company's registered capital reduced to RMB428,091,881.00.

As of 31 December 2020, total outstanding shares issued by the Company was 428,091,881.00 shares. Refer to Note V. 28 "Share capital" for details.

Corporate governance established by the Company includes General Meeting of Shareholders, Board of Directors, Board of Supervisors, Strategy Committee, Audit Committee, and Nomination, Remuneration and Evaluation Committee. The Company's functional departments include Administration, Party Affairs, Inspection and Audit and Legal, Finance, Human Resources, Strategy and Operating, Data and Information, and Property Management departments.

The business nature and main operation activities of the Company and its subsidiaries (collectively as "the Group") mainly includes: producing and selling of analogue indication mechanical watches, quartz watches and its movements, components, various timing devices, processing and wholesaling karat gold jewellery 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). The legal representative of the Company is Huang Yongfeng.

The financial statements have been approved and authorised for issue by the 27th meeting of the 9th Board of Directors on 8 March 2021.

2. Scope of consolidation

There are 11 subsidiaries that are included in the Company's scope of consolidation for year 2020, see Note VII "Interests in other entities" for detail. No changes in scope of consolidation in 2020.

II. 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 Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2014) issued by China Securities Regulatory Commission (CSRC).

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

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.

III. Significant accounting policies and accounting estimates

Based on actual business characteristics, the Group determined fixed asset depreciation, intangible assets amortization and revenue recognition policies. Refer to Note III 15, Note III 18 and Note III 25 for specific accounting policies.

1. 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 2020, the results of operations and the cash flows for the year then ended of the Company.

2. Accounting period

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

3. Operating cycle

The operating cycle of the Company is 12 months.

4. 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.

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

(1) 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.

Business combinations involving entities under common control achieved in stages that involves multiple transactions

In the separate financial statements, 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.

In the consolidated financial statements, assets acquired and liabilities assumed by acquirer in a business combination are measured at their carrying amount as recorded 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 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.

(2) Business combinations involving entities not under common control

For business combinations involving enterprises not under common control, the consideration costs include acquisition-date fair value of assets transferred, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for control of the acquiree. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree are measured at their fair value. The acquiree’s identifiable asset, liabilities and contingent liabilities, are recognised at their acquisition-date fair value.

Where the combination cost exceeds the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the difference is recognised 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 recognised in profit or loss for the current period after reassessment.

Business combinations involving entities not under common control achieved in stages that involves multiple transactions

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 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.

In the consolidated financial statements, the combination cost is the sum of the consideration paid at the acquisition date and the fair value of equity investment of the acquiree held prior to the acquisition date. The cost of equity investment of the acquiree held prior to the acquisition date is re-measured at the fair value at the acquisition date, the difference between the fair value and carrying value is recognized as profit or loss for the current period. Other comprehensive income and changes of other owners' equity from the equity interest held in the acquiree prior to the acquisition date are transferred to profit or loss for the current period, except for other comprehensive income resulted in the change of net liabilities or assets in the investee's re-measurement of defined benefit plan.

(3) Transaction costs for business combination

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

6. Consolidated financial statements

(1) Scope of consolidated financial statements

The scope of consolidated financial statements is based on control. Control exists when the Company has power over the investee; exposure, or rights to variable returns from its involvement with the investee and has the ability to affect its returns through its power over the investee. A subsidiary is an entity that is controlled by the Company (including enterprise, a portion of an investee as a deemed separate component, and structured entity controlled by the enterprise).

(2) Basis of preparation of consolidated financial statements

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. 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.

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 operating results and cash flow of the subsidiary or business after the acquisition date are included in the consolidated income statement and consolidated cash flow statement respectively.

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.

(3) Acquiring non-controlling interests of subsidiary

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the transaction is treated as equity transaction, and the book value of shareholder's equity attributed to the 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.

(4) Losing control over the subsidiary

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 recognised 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.

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

7. Joint arrangement classification and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. The Company classifies joint arrangements into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities,

relating to the arrangement.

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

- A. its solely-held assets, and its share of any assets held jointly;
- B. its solely-assumed liabilities, and its share of any liabilities assumed jointly;
- C. its revenue from the sale of its share of the output arising from the joint operation;
- D. its share of the revenue from the sale of the output by the joint operation; and
- E. its solely-incurred expenses, and its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the joint investors have rights to the net assets of the arrangement.

The Company adopts equity method under long-term equity investment in accounting for its investment in joint venture.

8. Cash and cash equivalents

Cash comprises cash in hand and deposits that can be readily withdrawn on demand. 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.

9. 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 recognised 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 recognised 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.

Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates.

Cash flow statement of foreign operation is translated to Renminbi at the spot exchange rates at the cash flow occurrence dates. Effect of foreign exchange rate changes on cash and cash equivalents is presented separately as "Effect of foreign exchange rate changes on cash and cash equivalents" in the cash flow statement.

The resulting translation differences are recognised in other comprehensive income in shareholders' equity of balance sheet.

The translation differences accumulated in shareholders' equity with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or an equity instrument of other parties.

(1) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised when the Group becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

- ① The right of the contract to receive the cash flows of financial assets terminates
- ② The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of financial liability have been discharged in total or in part, derecognize all or part of it. If the Group (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability.

If the financial assets are traded in regular ways, they are recognised and derecognised at the transaction date.

(2) Classification and measurement of financial assets

Financial assets are classified into the following three categories depends on the Group's business mode of managing financial assets and cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets measured at amortised cost

The Group 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 Group'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.

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.

Financial assets at fair value through other comprehensive income

The Group 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;

- 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 recognised in profit or loss, while other gains or losses are recognised in other comprehensive income. When derecognized, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and recorded in current profit or loss.

Financial assets at fair value through profit or loss

In addition to the above financial assets which are measured at amortized cost or at fair value through other comprehensive income, the Group classifies all other financial assets as financial assets at fair value through profit or loss. When initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group irrevocably designates some financial assets that should have been measured at amortized cost or at fair value through other comprehensive income 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 (including interest and dividend income) generated from which are recognised in profit or loss, unless the financial assets are part of the hedging relationship.

However, for non-tradable equity instrument investment, when initially recognized, the Group irrevocably designates them as financial assets at fair value through other comprehensive income. The designation is made on the basis of individual investment, and the relevant investment conforms to the definition of equity instruments from the issuer's point of view.

After initial recognition, financial assets are subsequently measured at fair value. Dividend income that meets the requirements is recognised in profit and loss, and other gains or losses and changes in fair value are recognised in other comprehensive income. When derecognized, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

The business model of managing financial assets refers to how the group manages financial assets to generate cash flow. The business model decides whether the source of cash flow of financial assets managed by the Group is to collect contract cash flow, sell financial assets or both of them. Based on objective facts and the specific business objectives of financial assets management decided by key managers, the Group determines the business model of financial assets management.

The Group evaluates the characteristics of the contract cash flow of financial assets to determine whether the contract cash flow generated by the relevant financial assets on a specific date is only to pay principal and interest based on the amount of unpaid principal. Among them, principal refers to the fair value of financial assets at the time of initial confirmation; interest includes the consideration of time value of money, credit risk related to the amount of unpaid principal in a specific period, and other basic borrowing risks, costs and profits. In addition, the Group evaluates the terms and conditions of the contracts that may lead to changes in the time distribution or amount of cash flow in financial asset contracts to determine whether they meet the requirements of the above contract cash flow characteristics.

Only when the Group 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, otherwise, financial assets shall not be reclassified after initial confirmation.

Financial assets are measured at fair value at initial recognition. 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.

(3) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL), and financial liabilities measured at amortized cost. For financial liabilities not classified as at fair value through profit or loss, the transaction costs are recognised in the initially recognised amount.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include transaction financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all gains and losses arising from changes in fair value and dividend and interest expense relative to the financial liabilities are recognised in profit or loss for the current period.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition or amortization is recognised in profit or loss for the current period.

Financial guarantee contract

Financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss are initially recognised 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.

Distinction between financial liabilities and equity instruments

The financial liability is the liability that meets one of following criteria:

- ① Contractual obligation to deliver cash or other financial instruments to another entity.
- ② Under potential adverse condition, contractual obligation to exchange financial assets or financial liabilities with other parties.
- ③ A contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.
- ④ A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must or are able to be settled by the group's own equity instrument, the group should consider whether the

group's equity instrument as the settlement instrument is a substitute of cash or other financial assets or the residual interest in the assets of an entity after deducting all of its liabilities. If the former, the tool is the group's financial liability; if the latter, the tool is the equity instrument of the group.

(4) Fair value of financial instruments

Refer to Note III. 11 for determining the fair value of financial assets and financial liabilities.

(5) Impairment of financial assets

On the basis of expected credit losses ("ECL"), the Group performs impairment assessment on the following items and recognises the loss provision.

- financial assets measured at amortized cost;
- accounts receivable and debt investments at fair value through other comprehensive income;
- Contract assets that are defined in Accounting Standards for Business Enterprises 14 – Revenue;
- Lease receivables;
- Financial guarantee contract (except measured at fair value through profit or loss or formed by continuing involvement of transferred financial assets or the transfer does not qualify for derecognition).

Measurement of expected credit losses

The expected credit losses refer 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 receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages.

The Group considers reasonable and basis information about past events, current situation and forecast of future economic situation to calculate expected credit losses. Expected credit losses are a probability-weighted estimate of the difference between the cash flows in accordance with the contract and the cash flows expect to receive by the risk of default.

The Group separately measures the expected credit losses of financial instruments at different stages. The credit risk on a financial instrument has not increased significantly since initial recognition, which is in the first stage. The Group shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk of financial instruments has increased significantly since the initial recognition, but no credit impairment has occurred, which is in the second stage. The Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the financial instrument has occurred credit impairment since initial recognition, which is in the third stage, and the Group shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses.

For financial instruments with lower credit risk at the balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition, and shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The lifetime expected credit losses, refer to the expected credit losses caused by all possible defaults during the whole expected lifetime. The 12-month expected credit losses, refer to the expected credit losses caused by all possible defaults during the 12-month after balance sheet date (if the expected duration of financial instrument is less than 12 months, then for the expected duration),

which is part of the lifetime expected credit losses.

When measure the expected credit loss, the longest contract period (including the option of renewal) that the group needs to consider is the longest contract period the enterprise facing credit risk.

For financial instruments in the first stages, second stages and with lower credit risk, the Group calculates interest income on the basis of their book balances without deduction of impairment provisions and actual interest rates. For financial instruments in the third stage, the Group calculates interest income according to their book balance minus the impairment provision and the actual interest rate.

For bills receivable, accounts receivable and contract assets, whether or not there are significant financing elements, the Group shall always measure the loss allowance for them at an amount equal to the lifetime expected credit losses.

According to the characteristics of credit risk, the Group divides and combines bills receivable and accounts receivable, contract assets and leased receivables. On the basis of the combination, the Group calculates the expected credit losses. The basis of determining the combination is as follows:

A. Bills receivable

- Bill receivable group 1: Bank acceptance bills
- Bill receivable group 2: Trade acceptance bills

B. Accounts receivable

- Accounts receivable group 1: Account receivables from related parties that are within the scope of consolidation
- Accounts receivable group 2: Amount receivables of other customers

C. Contract asset

- Contract assets group 1: product sales

For bills receivables and contract assets that are divided into groups, the Group refers to historical credit losses, with the current situation and the forecast of future economic situation, in calculation of the expected credit losses through the exposure on default and the lifetime expected credit losses rate.

For accounts receivable that is divided into groups, the Group refers to the historical credit losses, combines the current situation with the forecast of future economic situation, and compiles a comparison table between the ageing of accounts receivable and the lifetime expected credit losses rate to calculate the expected credit losses.

Other receivables

According to the characteristics of credit risk, the Group divides other receivables into groups. On the basis of the combination, the Group calculates the expected credit losses. The basis of determining the combination is as follows:

- Other receivables group 1: Receivables of down payment and guarantee
- Other receivables group 2: Petty cash for employees
- Other receivables group 3: Social security payment paid on-behalf of employees
- Other receivables group 4: Receivables from related parties within scope of consolidation
- Other receivables group 5: Others

For other receivables that divided into groups, the Group calculates the expected credit losses through the exposure on risk of default and expected credit losses rate in the next 12 months or the lifetime of receivables.

Debt investments and other debt investments

For debt investments and other debt investments, the Group calculates the expected credit losses through risk of default and expected credit losses rate in the next 12 months or the lifetime, according to the nature of the investment, the types of counterparty and risk exposure.

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 Group 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, the Group considers reasonable and valid information, including forward-looking information that can be obtained without unnecessary additional costs or efforts. Information considered by the Group includes:

- The debtor can't pay principal and interest on the expiration date of the contract;
- Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected to occur;
- Serious deterioration of the debtor's operating results that have occurred or are expected to occur;
- Changes in the existing or anticipated technological, market, economic or legal environment will have a significant negative impact on the debtor's repayment capacity.

According to the nature of financial instruments, the Group evaluates whether credit risk has increased significantly on the basis of a single financial instrument or a combination of financial instruments. When assessing on the basis of the combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

Financial assets that have occurred credit impairment

On the balance sheet date, the Group assesses whether credit impairment has occurred in financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income. When one or more events adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset with credit impairment.

Evidence of credit impairment of financial assets includes the following observable information:

- Significant financial difficulties occur to the issuer or debtor;
- The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- For economic or contractual considerations related to the financial difficulties of the debtor, the Group grants concessions to the debtor that will not be made under any other circumstances.
- The debtor is probable to go bankrupt or undergo other financial restructuring.

- Financial difficulties of issuer or debtor lead to the disappearance of financial assets active market.

Presentation of expected credit losses allowance

In order to reflect the changes happened to the credit risk of financial instruments since the initial recognition, the Group recalculates the expected credit losses on each balance sheet day. The increase or reversal of the loss provision resulting therefrom is recognised as an impairment loss or gain in the current profit or loss. For financial assets measured at amortized cost, loss provision offsets the carrying amount of the financial assets shown on the balance sheet; for debt investments measured at fair value through other comprehensive income, the Group recognizes its loss provision through other comprehensive income and does not offset the financial assets' carrying amount.

Write off

If the Group 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. What usually occurs when the Group determines that the debtor has no assets or sources of income to generate sufficient cash flows to pay the amount to be reduced. However, in accordance with the Group's procedures for recovering due payment, the financial assets reduced may still be affected by enforcement activities.

If the reduced financial assets are recovered later, the returns as impairment losses shall be included in the profit or loss of the recovery period.

(6) Transfer of financial assets

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Group derecognizes a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Group should not derecognize a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

The Group neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Group has forgone control over the financial assets, derecognize the financial assets and verify the assets and liabilities; if the Group retains its control of the financial asset, the financial asset is recognized to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability is recognized.

(7) Offsetting financial assets and financial liabilities

When the Group has the legal rights to offset the recognized financial assets and financial liabilities and is capable to carry it out, the Group plans to settlement or realize the financial assets and pay off the financial liabilities in net amount, the financial assets and financial liabilities shall be presented in the balance sheet at net amount. Except this, financial assets and financial liabilities shall be presented separately in balance sheet and are not allowed to offset.

11. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group measures related assets or liabilities at fair value assuming the assets or liabilities are exchanged in an orderly transaction in the principal market; in the absence of a principal market, assuming the assets or liabilities are exchanged in an orderly transaction in the most advantageous market. Principal market (or the most advantageous market) is the market that the Group can normally enter into a transaction on measurement date. The Group adopts the presumptions that would be used by market participants in achieving the maximized economic value of the assets or liabilities.

For financial assets or financial liabilities with active markets, the Group uses the quoted prices in active markets as their fair value. Otherwise, the Group uses valuation technique to determine their fair value.

Fair value measurement of a non-financial asset takes into account market participants' ability to generate economic benefits using the asset in its best way or by selling it to another market participant that would best use the asset.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs, and using unobservable inputs only if the observable inputs aren't available or impractical.

Fair value level for assets and liabilities measured or disclosed at fair value in the financial statements are determined according to the significant lowest level input to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; Level 3 inputs are unobservable inputs for the assets or liabilities.

At the balance sheet date, the Group re-values assets and liabilities being measured at fair value continuously in the financial statements to determine whether to change the levels of fair value measurement.

12. Inventories

(1) Classification

Inventories include raw materials, work in progress, and finished goods.

(2) Measurement method of cost of inventories

Inventories are initially measured at cost. Raw materials and finished goods are calculated using weighted average method (except for branded watches) and specific identification method (for branded watches).

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value is measured based on the verified evidences and considerations for the purpose of holding inventories and the effect of post balance sheet events.

Any excess of the cost over the net realisable value of inventories is recognised as a provision for obsolete inventories, and is recognised in profit or loss. The Company usually recognises provision for decline in value of inventories by a single (type, group) inventory item. If the factors caused the value of inventory previously written-down have disappeared, the provision for decline in value of inventories previously made is reversed.

(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.

13. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries and equity investments in joint ventures and associates. An associate is an enterprise over which the Company has significant influence.

(1) Determination of initial investment cost

The initial cost of a long-term equity investment acquired through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost is the combination cost.

A long-term equity investment acquired other than through a business combination: A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Company acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement and recognition of profit or loss

Long-term equity investments in subsidiaries are accounted for using the cost method. An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement.

For a long-term equity investment which is accounted for using the cost method, Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

For a long-term equity investment which is accounted for using the equity method, where the initial cost of a long-term equity investment exceeds the Company's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Company's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

Under the equity method, the Company recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Company. Changes in the Company's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Company's equity, and the carrying amount of the investment is adjusted accordingly. In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of

acquisition.

When the Company becomes capable of exercising joint control or significant influence (but not control) over an investee due to additional investment or other reasons, the Company uses the fair value of the previously-held equity investment, together with additional investment cost, as the initial investment cost under the equity method. The difference between the fair value and carrying amount of the previously-held equity investment, and the accumulated changes in fair value included in other comprehensive income, shall be transferred to profit or loss for the current period upon commencement of the equity method.

When the Company can no longer exercise joint control of or significant influence over an investee due to partial disposal of the equity investment or other reasons, the remaining equity investment shall be accounting for using Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and the carrying amount of the remaining equity investment shall be charged to profit or loss for the current period at the date of the loss of joint control or significant influence. Any other comprehensive income previously recognised under the equity method shall be accounted for on the same basis as would have been required if the Company had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. Other movement of owner's equity related to original equity investment is transferred to profit or loss for the current period.

When the Company can no longer exercise control over an investee due to partial disposal of the equity investment or other reasons, and the remaining equity after disposal can exercise joint control of or significant influence over an investee, the remaining equity is adjusted as using equity method from acquisition. When the remaining equity can no longer exercise joint control of or significant influence over an investee, the remaining equity investment shall be accounted for using Accounting Standard for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, and the difference between the fair value and the carrying amount of the remaining equity investment shall be charged to profit or loss for the current period at the date of loss of control.

When the Company can no longer exercise control over an investee due to new capital injection by other investors, and the Company can exercise joint control of or significant influence over an investee, the Company recognizes its share of the investee's new added net assets using new shareholding percentage. The difference between its new share of the investee's new added net assets and its decreased shareholding percentage of the original investment is recognized in profit or loss. And the Company adjusts to the equity method using the new shareholding percentage as if it uses the equity method since it obtains the investment.

Unrealised profit or loss resulting from transactions between the Company and its associates or joint ventures are eliminated to the extent of the Company's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Company and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. When assessing whether the Company can exercise joint control over an investee, the Company first considers whether no single participant party is in a position to control the investee's

related activities unilaterally, and then considers whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities. When more than one combination of the parties can control an arrangement collectively, joint control does not exist. A party that holds only protective rights does not have joint control of the arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies. When determining whether the Company can exercise significant influence over an investee, the effect of potential voting rights (for example, warrants, share options and convertible bonds) held by the Company or other parties that are currently exercisable or convertible shall be considered.

When the Company, directly or indirectly through subsidiaries, owns 20% of the investee (including 20%) or more but less than 50% of the voting shares, it has significant influence over the investee unless there is clear evidence to show that in this case the Company cannot participate in the production and business decisions of the investee, and cannot form a significant influence. When the Company owns less than 20% of the voting shares, generally it does not have significant influence over the investee, unless there is clear evidence to show that in this case the Company can participate in the production and business decisions of the investee so as to form a significant influence.

(4) Method of impairment testing and impairment provision

For investments in subsidiaries, associates and joint ventures, refer to Note III. 20 for the method of asset impairment.

14. Investment property

Investment properties are properties held either to earn rental income or for capital appreciation or for both. The Company's investment properties include leased land use rights, land use right held and provided for to transfer after appreciation and leased building and construction.

Investment properties are initially measured at acquisition cost, and depreciated or amortized using the same policy as that for fixed assets or intangible assets.

For the impairment of the investment properties accounted for using the cost model, refer to Note III.20.

Gains or losses arising from the sale, transfer, retirement or disposal of an item of investment property are determined as the difference among the net disposal proceeds, the carrying amount of the item, related taxes and surcharges, and are recognised in profit or loss for current period.

Depreciation method of investment property is the same as fixed assets. Refer to Note III. 15 for details.

15. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Company for use in production of goods, use in supply of services, rental or for administrative purposes with useful lives over one accounting year.

Fixed assets are only recognised when its related economic benefits are likely to flow to the Company and its cost can be reliably measured.

Fixed asset is initially measured at cost.

(2) Depreciation of fixed assets

The cost of a fixed asset is depreciated using the straight-line method since the state of intended use, unless the fixed asset is classified as held for sale. Not considering impairment provision, the estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

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

For impaired fixed assets, cumulative amount of impairment provision is deducted in determining the depreciation rate.

(3) For the impairment of the fixed assets, please refer to Note III. 20.

(4) Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

The Group adjusts the useful lives of fixed assets if their expected useful lives are different with the original estimates and adjusts the estimated net residual values if they are different from the original estimates.

(5) Overhaul costs

Overhaul costs occurred in regular inspection are recognized in the cost if there is undoubted evidence to confirm that this part meets the recognition criteria of fixed assets, otherwise, the overhaul costs are recognized in profit or loss for the current period. Depreciation is provided during the period of regular overhaul.

16. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalised borrowing costs and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed asset when it is ready for its intended use.

For the impairment of construction in progress, please refer to Note III. 20.

17. Borrowing costs

(1) Capitalisation criteria

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss as incurred. The capitalisation of borrowing costs shall commence only when the following criteria are met:

① capital expenditures have been incurred, including expenditures that have resulted in payment of cash, transfer of other assets or the assumption of interest-bearing liabilities;

② borrowing costs have been incurred;

③ the activities that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalisation period

The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period.

Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(3) Capitalisation rate of borrowing costs and calculation basis of capitalised amount

For interest expense actually incurred on specific borrowings, the eligible capitalised amount is the net amount of the borrowing costs after deducting any investment income earned before some or all of the funds are used for expenditures on the qualifying asset. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset, the capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings specifically for the purpose of obtaining a qualifying asset.

In the capitalisation period, exchange differences of specific borrowings in foreign currency shall be capitalised; exchange differences of general borrowings in foreign currency is recognised in profit or loss for the current period.

18. Intangible assets

Intangible assets include land use right, software systems and right to use the trademark etc.

Intangible assets are stated at actual cost upon acquisition and the useful economic lives are determined at the point of acquisition. When the useful life is finite, amortisation method shall reflect the pattern in which the asset's economic benefits are expected to be realised. If the pattern cannot be determined reliably, the straight-line method shall be used. An intangible asset with an indefinite useful life shall not be amortised.

Amortisation method for intangible assets with finite useful lives is as follows:

Categories	Useful life (years)	Amortisation methods	Remarks
Land use right	50	Straight-line method	
Software systems	5	Straight-line method	
Right to use the trademark	5-10	Straight-line method	

The Group shall review the useful life and amortisation method of an intangible asset with a finite useful life at least at each year end.

Changes of useful life and amortisation method shall be accounted for as a change in accounting estimate.

An intangible asset shall be derecognised in profit or loss when it is not expected to generate future economic benefits.

For the impairment of intangible assets, please refer to Note III. 20.

19. Research and development expenditure

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

Expenditure during the research phase is expensed when incurred.

Expenditure during the development phase is capitalised if the product or process is technically and commercially feasible; the Group intends to complete the development; the intangible asset can generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset; there is sufficient support in terms of technology, financial resources and other resources in order to complete the development and use or sell the intangible asset; and development costs can be measured reliably. Other development expenditure is recognised as an expense in the period in which it is incurred.

Research and development projects of the Group will enter into the development phase when they meet the above conditions, technical and economic feasibility research is finished and necessary approval of the project is obtained.

Capitalised expenditure on the development phase is presented as “development costs” in the balance sheet, and is transferred to intangible assets when the project is completed to its intended use.

20. Impairment of assets

The impairment of long-term equity investments in subsidiaries, associates and joint ventures, investment properties measured using a cost model, fixed assets, construction in progress, and intangible assets (excluding inventories, deferred tax assets and financial assets) is determined as follows:

At each balance sheet date, the Group determines whether there is any indication of impairment. If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill, intangible assets with indefinite useful lives and intangible assets not ready for use at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The recoverable amount is estimated for each individual asset. If it is not possible to estimate the recoverable amount of each individual asset, the Company determines the recoverable amount for the asset group to which the asset belongs. An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly.

For goodwill impairment test, the carrying amount of goodwill arising from a business combination is allocated reasonably to the relevant asset group since the acquisition date. If the carrying amount of goodwill is unable to be allocated to asset group, the carrying amount of goodwill will be allocated to asset portfolio. Asset group or portfolio of asset group is asset group or portfolio of asset group which can be benefit from synergies of a business combination and is not greater than the reportable segment of the Company.

In impairment testing, if impairment indication exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted for asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then impairment test is conducted for asset group or

portfolio of asset group containing goodwill by comparing its carrying amount and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

21. Long-term deferred expenses

Long-term deferred expenses are recorded at the actual cost, and amortized using a straight-line method within the benefit period. For long-term deferred expense that cannot bring benefit in future period, the Company recognized its amortised cost in profit or loss for the current period.

22. Employee benefits

(1) Scope of employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to the Company's spouse, children, dependents, family members of deceased employees or other beneficiaries are also part of the employee benefits.

According to liquidity, employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" on the balance sheet.

(2) Short-term employee benefits

In the current period, the Company has accrued for the actual wages, bonuses, medical insurance for employees based on standard rate, work injury insurance and maternity insurance and other social insurance and housing fund incurred and these are recognised as liabilities and corresponding costs in the profit or loss. If these liabilities are not expected to be fully paid 12 months after the end of the reporting period in which employee renders the service to the Company, and if the financial impact is significant, these liabilities shall be discounted using the net present value method.

(3) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate fund and will have no future obligations to pay the contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans

Defined contribution plans include primary endowment insurance, unemployment insurance and enterprise annuity plan.

Besides basic pension insurance, the Company establishes corporate annuity plans in accordance with the related policies of corporate pension regulations. Employees can join the pension plan voluntarily. The Company has no other significant commitment of employees' social security.

The Company shall recognise, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

Defined benefit plan

At each balance sheet date, actuarial calculation and valuation shall be carried out by independent actuary for defined benefit plan to

determine the cost of welfare using estimated cumulative welfare unit method. Employee benefit cost resulted from the Group's defined benefit plan including the followings:

- ① Service cost, which includes service cost for current period, prior period and gain or losses on settlement. Service cost for current period refers to the increase in amount of present value of liability of defined benefit plan resulted from service provided by employees in current period. Service cost for prior period refers to changes in amount of present value of liability of defined benefit plan related to prior period due to alteration of the plan.
- ② Net interest of defined benefit plan net liability or net asset include interest gain of plan asset, interest expenses of defined benefit plan liability and interest affected by the upper limit of asset.
- ③ Changes due to re-measurement of defined benefit plan net liability or net asset

Unless other accounting standards allow or permit the employee welfare cost to be charged into asset cost, the Company shall charge the item ① and ② above into current period profit or loss. Item ③ shall be included in other comprehensive income and will cannot be recycled into profit or loss in later accounting periods and when the plan is terminated, the portion that previously recorded in other comprehensive shall be transferred into retained earnings in all.

(4) Termination benefits

The Company provides for termination benefits to the employees and shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates: When the Company cannot unilaterally withdraw the offer of the termination benefits because of an employment termination plan or a redundancy proposal; or when the Company recognises the costs or expenses relating to a restructuring that involves the payment of the termination benefits.

When adopting employee internal retirement plan, the economic compensation before the official retirement date shall be included in as termination benefits. The salary for internal retired employee and social security payments from the date when the employee ceases service to the date of officially retired shall be charged to current profit or loss one-off. Economic compensation after official retirement shall be dealt as post-employment benefits.

(5) Other long-term employee benefits

Other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan; those benefits shall be accounted for in accordance with the above requirements relating to defined contribution plan. When the benefits satisfied a defined benefit plan, it shall be accounted for in accordance with the above requirements relating to defined benefit plan, but the movement of net liabilities or assets in re-measurement of defined benefit plan shall be recorded in profit or loss for the current period or cost of relevant assets.

23. Provisions

A provision is recognised for an obligation related to a contingency if all the following conditions are satisfied:

- (1) the Company has a present obligation;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (3) the amount of the obligation can be estimated reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The Company reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

If all or part of the expenditure necessary for settling the provision is expected to be compensated by a third party, the amount of compensation is separately recognized as an asset when it is basically certain to be received. The recognized compensation amount shall not exceed the carrying amount of the provision.

24. Share-based payment

(1) Types of share-based payment

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

(2) Method of determining share-based payment

The Company determining the fair value of equity instruments such as share options granted which has active markets using public quotation. If no active markets exist, option pricing model shall be used to determine its fair value. The following factors shall be considered when selecting option pricing models: A. Exercising price of option, B. Valid period of option, C. Current price of the target share, D. Share's estimated volatility rate, E. estimated share dividend and F. risk-free interest rate during the valid period.

(3) Evidence of determining the best estimate of exercisable equity instruments

On each balance sheet date during the vesting period, the Company makes the best estimate based on the latest information on the changes in the number of employees with vesting rights, and corrects the number of equity instruments that are expected to be exercised. On the exercise date, the number of final estimated exercisable equity instrument shall be the same as actual exercisable equity instrument.

(4) Accounting treatment for implementation, modifying and terminating of the share-based payment plan

Equity settled share-based payment is measured using fair value of equity instruments granted to employees. If the option can be exercised immediately after the grant, the relevant costs or expenses are included in the grant date, and the capital reserve are increased accordingly. If the option can only be exercised after completing the service within the vesting period or meeting the required performance conditions, the amount of the fair value shall be charged to cost or expenses and capital reserve based on straight-line method during the vesting period using the best estimate of the amount of exercisable equity instrument. No changes to related cost or expenses and equity after the exercisable date.

The cash-settled share-based payment is measured at the fair value of the liabilities determined by the Company based on shares or other equity instruments. If the right can be exercise immediately after the grant, the relevant costs or expenses are included in the grant date, and the liabilities are increased accordingly. If the option can only be exercised after completing the service within the vesting period or meeting the required performance conditions, the service obtained by the Company in current period shall be charged to profit or loss based on fair value of the liabilities undertake by the Company, calculated on the basis of the best estimation of the exercisable option on each balance sheet date of the vesting period. The liabilities shall be increased accordingly. The fair

value of the liability is re-measured at each balance sheet date and settlement date before the settlement of related liabilities, the changes are included in the current profit and loss.

When the Group changes the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the increase in the fair value of the equity instruments is recognized accordingly. The increase in the fair value of equity instruments refers to the difference between the fair value, measured on the modification date, of the equity instruments before and after the modification. If the modification reduces the total fair value of the share-based payment or adopts other methods that are not in favour of employees, the accounting treatment of it will not be changed, as if the modification never happened unless the Group cancelled part or all of the granted equity instruments.

During the vesting period, if the granted equity instrument is cancelled, the Company shall treat the cancelled equity instrument as accelerated exercise, and shall immediately charge the amount that should be recognized in the remaining vesting period into the current profit and loss and adjusting the capital reserves at the same time. If the employee or other party can choose to meet the non-vesting conditions but fails during the vesting period, the Group will treat it as a cancellation of the equity instrument.

25. Revenue

(1) General principle

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

If two or more performance obligations are included in the contract, the Group shall, on the commencement date of the contract, apportion the transaction price to the individual performance obligations according to the relative proportion of the individual selling prices of the commodities or services promised by the individual performance obligations, and measure the income according to the transaction price apportioned to the individual performance obligations.

If one of the following conditions is met, the Group shall be obliged to fulfil its performance obligations over a certain period; otherwise, it shall be obliged to fulfil its performance obligations at a certain point:

① The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
or

② The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

③ The commodities produced by the Group in the course of its performance are irreplaceable and the Group has the right to collect payments for the part of performance that has been completed so far during the entire contract period.

For performance obligation that is to be fulfilled over a period of time, the Group recognises revenue based on the progress of the performance obligations that have been fulfilled throughout the contract period. When the progress of the performance obligation cannot be reasonably measured, if the cost incurred is expected to be recovered, the revenue shall be recognised according to the amount of cost incurred, until the progress can be reasonably determined.

For performance obligation that is to be fulfilled at certain point, the Group recognizes revenue when the customer gains control of

the relevant goods or services. When making judgement on whether customers have gained control of the relevant goods and services, the Group considers the following signs:

- ① The Group has obtained the current collection rights, the customer has obtained the current payment obligation.
- ② The Group have transferred the legal ownership of the commodity to the customer, the customer has obtained the legal ownership of the commodity.
- ③ The Group has transferred the physical commodity to the customer, the customer has possessed the commodity in kind.
- ④ The Group has transferred the ownership and accompanying risk and payment of goods to the customer, the customer has obtained the ownership and accompanying risk and payment of goods.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other signs that customers have acquired the control of goods.

The Group has transferred goods or services to its customers and has the right to receive consideration (which depends on factors other than the passage of time) as its contract assets, which are deducted on the basis of expected credit losses (refer to Note III. 10 (5)). The unconditional (time-dependent) right to collect consideration from customers is shown as accounts receivable. The obligation to transfer goods or services to the customer after consideration received or receivable is shown as contract liabilities.

Contract assets and contract liabilities under the same contract shall be shown in net amount, if the net amount is debit balance, according to their liquidity, which shall be presented in the "contract assets" or "other non-current assets" project; if the net amount is credit balance, according to its liquidity, which shall be presented in the "contract liabilities" or "other non-current liabilities" project.

(2) The specific methods

① Normal sale of goods

Revenue shall be recognised at the point that the goods are delivered to the customer and the good receive notes with customer's signature are obtained, and the customer gained control over the ownership of goods according to sales contract signed by both parties.

② Direct sales

a. off-line retail sale: under direct sale mode, revenue shall be recognized at the point when the goods are delivered and payment by customer is collected.

b. online retail sale: under e-commerce retail sale mode, revenue shall be recognized at the point that the goods are dispatched and the customer confirmed received the goods.

③ Association with department store

Under this mode, the goods are delivered to customers after sales staff issues sales memo to retail customers who will carried out inspection and accept the goods. The department store then collects the payment from the customer. At this point, the Group recognizes revenue.

④ Consignment sale

Under consignment sales mode, the Group recognizes revenue when the Group receives the detail of the sales list from distributors and confirms that the control over goods ownership were transferred to the purchaser.

⑤ 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.

26. Contract cost

Contract costs include incremental costs incurred to obtain a contract and costs to fulfil a contract.

Incremental costs incurred to obtain a contract refer to the costs (such as sales commissions) that the Group will not incur without obtaining contracts. If the cost is expected to be recovered, the Group shall recognizes it as an asset as contract acquisition cost. Expenditures incurred by the Group for the purpose of obtaining contracts, other than incremental costs expected to be recovered, are recorded in current profit or loss when incurred.

The costs to fulfil a contract, which does not fall within the scope of other Accounting Standards for Business Enterprises such as inventory and meets the following conditions at the same time, the Group recognizes it as an asset for the costs to fulfil a contract:

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

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

When the carrying amount of the assets related to contract cost is higher than the difference between the following two items, the Group shall make provision for impairment in excess of the assets and shall consider the impairment loss of the assets as follows:

- ① The residual consideration that the Group expect to obtain for transferring goods or services related to the asset;
- ② The cost estimated to be incurred for transferring the relevant goods or services.

The contract performance cost recognized as assets shall be presented in the "inventory" project, if the amortization period is not exceeding one year or a normal business cycle at initial recognition, and shall be presented in the "other non-current assets" project, if the amortization period exceeding one year or a normal business cycle at initial recognition.

The contract acquisition cost recognized as assets shall be presented in the "other current assets" project, if the amortization period is not exceeding one year or a normal business cycle at initial recognition, and shall be presented in the "other non-current assets" project, if the amortization period exceeding one year or a normal business cycle at initial recognition.

27. Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value. If fair value cannot be reliably

determined, it is measured at a nominal amount of RMB 1.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. For government grants with unspecified purpose, the amount of grants used to form a long-term asset is regarded as government grants related to an asset, the remaining amount of grants is regarded as government grants related to income. If it is not possible to distinguish, the amount of grants is treated as government grants related to income.

A government grant related to an asset is offset against the carrying amount of the related asset, or recognised as deferred income and amortised to profit or loss over the useful life of the related asset on a reasonable and systematic manner. A grant that compensates the Group for expenses or losses already incurred is recognised in profit or loss or offset against related expenses directly. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in profit or loss or offset against related expenses in the periods in which the expenses or losses are recognised.

A grant related to ordinary activities is recognised as other income or offset against related expenses based on the economic substance. A grant not related to ordinary activities is recognised as non-operating income.

When a recognised government grant is to be returned, carrying amount of the related asset is adjusted if the grant was initially recognized as offset against the carrying amount of the related asset. If there is balance of relevant deferred income, it is offset against the carrying amount of relevant deferred income. Any excess of the reversal to the carrying amount of deferred income is recognised in profit or loss for the current period. For other circumstances, reversal is directly recognized in profit or loss for the current period.

Preferential subsidized interest received by the Group is accounted for in following ways: if the finance authority distributes subsidized interest to the bank that providing the loan, the Group accounted for the loan based on actual amount of loan received and consequently calculating borrowing expenses based on the principal amount and preferential subsidized interest. If the finance authority distributes subsidized interest to the Group, the borrowing expenses will be off-set by the amount of subsidized interest received.

28. Deferred tax assets and deferred tax liabilities

Income tax comprises of current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to transactions or items recognised directly in equity and goodwill arising from a business combination.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

- (1) initial recognition of goodwill, or assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss);
- (2) taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognises a deferred tax asset for deductible temporary differences, deductible losses and tax credits carried forward to subsequent periods, to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, deductible losses and tax credits can be utilised, except for those incurred in the following transactions:

- (1) a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss);
- (2) deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future; and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

29. Operating leases and financing leases

When the Group is a lessor, a finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(1) As a lessor

Income derived from operating leases is recognized in profit or loss using the straight-line method over the lease term. Initial direct costs are charged to profit or loss immediately.

(2) As a lessee

In finance leases, at the commencement of the lease, the Group recognizes the lower of the fair value of leased asset and the present value of minimum lease payments as the book value of the leased asset. Present value of minimum lease payments is recognized as long-term payables. The difference between the fair value of lease asset and the present value of minimum lease payments is accounted for as unrecognized finance charge. Initial direct costs are recognized in the carrying amount of leased assets. Unrecognized finance charge is amortized over the lease period by effective interest method and finance expenses is recognized in profit or loss for the current period. The Group adopts the same depreciation policy of with self-owned fixed assets in calculating the depreciation charge.

Rental payments under operating leases are recognized as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Initial direct costs are charged to profit or loss immediately.

(3) Rent concessions arising as a direct consequence of Covid-19 pandemic

For rent concession modification to current lease agreement that agreed by the Group with the lessee or lessor as a direct consequence of Covid-19 pandemic, the Group adopts simplified method to leases of property and plant if the following conditions are met:

- ① the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change. Both discounted and not discounted lease payment are acceptable;
- ② any reduction in lease payments affects only payments originally due on or before 30 June 2021
- ③ there is no substantive change to other terms and conditions of the lease

The Group does not evaluate whether there is lease modification.

As a lessee, the Group treat operating lease the same way before the rent concession and accounting the rental of original agreement in relevant asset or expense. If rent concession occurs, the Group treat the rental reduced as contingent rental and offset cost or expenses during the concession period. If the payment of rental was deferred in timing, the Group recognizes rental payable in the period that should make the payment and offsetting the payable at the time when making actual payment. As a lessee, the Group treat finance lease the same way before the rent concession and accounting the unrecognized financing expense as current period finance expense using the same discount rate before the rent concession. If rent concession occurs, the Group treat the rental reduced as contingent rental and offset cost or expenses and adjusting long-term payables accordingly at the time that original lease payment obligation is released as a result of concluding concession agreement etc. Unrecognised finance expense shall also be adjusted if the discount rate used is the rate before the rent concession. If the payment of rental was deferred in timing, the Group offset the long-term payables that previous recognised at the time when making actual payment.

As a lessor, the Group treat operating lease the same way before the rent concession and accounting the rental of original agreement as rental income. If rent concession occurs, the Group treat the rental reduced as contingent rental and offset rental income during the concession period. If the payment of rental was deferred in timing, the Group recognizes rental receivable in the period that should make the payment and offsetting the receivable at the time when actually collected. As a lessor, the Group treat finance lease the same way before the rent concession and accounting the unrecognized financing income as current period finance income using the same lease inherent interest rate before the rent concession. If rent concession occurs, the Group treat the rental reduced as contingent rental and offset rental income that recognized previously at the time that original lease payment obligation is released as a result of concluding concession agreement etc. If rental income is not sufficient to offset, investment gain shall be adjusted. At the same time, adjusting long-term receivables accordingly. Unrecognised finance income shall also be adjusted if the discount rate used is the rate before the rent concession. If the payment of rental was deferred in timing, the Group offset the long-term receivables that previous recognised at the time when the rental is actually collected.

30. 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 earning 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.

31. Restricted share

Under the share option incentive plan, the Company grants restricted shares to the incentive individuals who will subscribe the shares first. If the unlocking condition is not reached subsequently, the Company will re-purchase the shares according to the price previously agreed. If the shares issued under the incentive plan has gone through capital increase filing procedures, the Company recognizes share capital and capital reserve (share premium) based on consideration received from the employees and, at the same time, recognizes treasury shares and other payables for the re-purchase obligation.

32. Significant accounting estimates and judgments

The Group gives continuous assessment of the reasonable expectations of future events and the critical accounting estimates and key assumptions based on its historical experience and other factors. The critical accounting estimates and key assumptions that are likely to lead to significant adjusted risks of the carrying amount of assets and liabilities for the next financial year are presented as follows:

Classification of financial assets

The Group's major judgments in determining the classification of financial assets include the analysis of business models and the characteristics of contract cash flows.

At the level of financial asset groups, the Group determines the business model for managing financial assets, taking into account factors such as the way to evaluate and report financial assets performance to key managers, the risks affecting financial assets performance and their management methods, and the way in which relevant business managers are paid.

In assessing whether the contract cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following judgments: whether the principal's time distribution or amount may change during the lifetime for early repayment and other reasons; whether the interest only includes the time value of money, credit risk, other basic lending risks and the consideration of cost and profit. For example, does the amount of advance payment only reflect the unpaid principal and interest based on the unpaid principal, and reasonable compensation paid for the early termination of the contract.

Measurement of Expected Credit Loss of Receivables

The Group calculates the expected credit losses of accounts receivable by default risk exposure and expected credit losses rate of accounts receivable, and determines the expected credit losses rate based on default probability and default loss rate. In determining the expected credit losses rate, the Group uses internal historical credit loss and other data, and adjusts the historical data with current situation and forward-looking information. In considering forward-looking information, the indicators used by the Group include the risks of economic downturn, external market environment, technological environment and changes in customer conditions. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses.

Provision for decline in value of inventories

The Group recognises provision for obsolete inventories based on the excess of the cost of inventory over its net realisable value. In

determining the net realisable value of inventories, the management uses significant judgments to estimate the selling price, cost to finish manufacturing, and selling expenses and associated taxes.

Deferred income tax assets

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management needs significant judgment to estimate the time and extent of the future taxable profits and tax planning strategy to recognise the appropriate amount of deferred income tax assets. Where the expectation is different from the original estimate of the future taxable profits, such differences will impact the recognition of deferred tax assets and taxation in the years when the estimates are changed.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

① New revenue standard

The Ministry of Finance have issued “the Accounting Standards for Business Enterprises No. 14 - Revenue (Revised)” (hereinafter referred to as the “New Revenue Standards”). The Group has implemented the Accounting Standards since January 1, 2020, and adjusted the relevant contents of accounting policies.

The Group recognize revenue when the contract performance obligations have been fulfilled, the customer has gained control of the relevant goods and services. When certain condition is met, the Group shall be obliged to fulfil its performance obligations within a certain period, otherwise, it shall be obliged to fulfil its performance obligations at a certain point. If two or more performance obligations are included in the contract, the Group shall, on the commencement date of the contract, apportion the transaction price to the individual performance obligations according to the relative proportion of the individual selling prices of the commodities or services promised by the individual performance obligations, and measure the income according to the transaction price apportioned to the individual performance obligations.

The Group has adjusted the related accounting policies in accordance with the specific provisions of the new revenue standards on specific matters or transactions. For example: contract cost, quality assurance, the distinction between the principal responsible person and the agent, the treatment of advances from customers, etc.

The right to receive consideration for transferring goods to the customer, which depends on factors other than the passage of time, shall be presented as contract assets. The obligation to transfer goods to the customer after consideration received or receivable shall be presented as contract liabilities.

Based on the cumulative impact of initial adoption of new revenue standards, the Group adjusted the retained earnings and other related items in the financial statements at the beginning of 2020 without adjusting the comparative financial statements data. The new revenue standards have no significant impact on consolidated financial statements shareholders' equity. The first implementation of the new revenue standards has the following impact on other related items of the financial statements:

Details of and the reasons for the changes in accounting policies	Affected items in the financial statements	Amounts of adjustments (1 January, 2020)
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As a result of the implementation of the new revenue standards, the Group will include the right to collect consideration related to sale of goods and provision of services that do not satisfy the unconditional right to receive payment as contract assets; the Group will reclassify the advance from customers from sales of goods and provision of services to contract liabilities.	contract liabilities	17,698,280.12
	Other current liabilities	2,300,776.41
	Advance payment	-19,999,056.53

Compared with the previous revenue standards, the impact of the implementation of new revenue standards on the related financial statements items as at 31 December 2020 is as follows:

Balance sheet items affected	Amounts affected (31 December, 2020)
Contract liabilities	18,213,396.49
Other current liabilities	2,299,755.09
Advance receipts	-20,513,151.58

Income statement items affected	Amounts affected (for the year ended 31 December 2020)
Revenue	-29,996,402.36
Cost of sales	-22,007,232.98
Selling and distributing expenses	-7,989,169.38

② Interpretation No. 13 to Accounting Standards for Business Enterprises

The Ministry of Finance have issued Interpretation No.13 to Accounting Standards for Business Enterprises (Cai Kuai (2019) No. 21) in December 2019 (the "Interpretation 13").

The Interpretation 13 revised three elements that constitute business and specified judgement conditions to business. It also introduced "degree of concentration test" when making judgement on whether the operating activities or asset group, acquired by the purchaser in a business combination involving entities not under common control, constitutes a business.

The Interpretation 13 clarified that the related party of an enterprise shall include joint venture and associates of other common members (including parent company and subsidiaries) that belong to the same enterprise group, and joint venture and associates of the investor that exerts common control over the enterprise.

The Interpretation 13 was taken effective since 1 January 2020. The Group adopts prospective application to accounting for above accounting policy changes.

The adoption of Interpretation 13 had no significant impact to the Group's financial position, operation performance and related party disclosure.

③ The Ministry of Finance have issued "Notice of Issue 'Rules of Accounting Treatment to Rent Concession Related to Covid-19' (Cai Kuai (2020) No. 10). According to the rules, rent concession can be accounted for using simplified method.

The Group adopted simplified method for rent concession related to lease of property and plant since 1 January 2020 (refer to Note III. 29 (3) for detail) and recognise related rental concession into profit or loss at the period of concession or the point that reach agreement to relief and release related rights and obligations. As a lessee, the impact of above treatment to current period profit before tax is RMB11,408,913.44. As a lessor, the impact of above treatment to current period profit before tax is - RMB15,091,785.03. Rent concession occurred before 1 January 2020 of the Group does not applicable for the simplified method above.

(2) Significant changes in accounting estimates

The Group has no significant changes in accounting estimates this year.

(3) At the initial adoption of new revenue standard, the adjustments to relevant items of financial statements at the beginning of the initial adoption year is as follow:

Consolidated balance sheet

Item	As at 31/12/2019	2020.01.01	Amount adjusted
Current assets:			
Cash at bank and on hand	316,668,565.09	316,668,565.09	-
Financial assets held for trading	-	-	-
Bill receivable	10,596,431.31	10,596,431.31	-
Accounts receivable	397,471,106.98	397,471,106.98	-
Accounts receivable financing	-	-	-
Prepayments	10,847,962.28	10,847,962.28	-
Other receivable	47,239,844.58	47,239,844.58	-
Including: interest receivable	-	-	-
Dividend receivable	-	-	-
Inventory	1,808,820,089.92	1,808,820,089.92	-
Contract asset	Not applicable	-	-
Non-current assets due in one year	-	-	-
Other current assets	68,858,096.74	68,858,096.74	-
Total current assets	2,660,502,096.90	2,660,502,096.90	-
Non-current assets			
Debt investments	-	-	-
Other debt investments	-	-	-
Long-term equity investments	46,423,837.85	46,423,837.85	-
Other equity investments	85,000.00	85,000.00	-
Other non-current financial assets	-	-	-
Investment properties	407,503,307.24	407,503,307.24	-
Fixed assets	363,997,098.94	363,997,098.94	-
Construction-in-progress	-	-	-
Intangible assets	38,711,821.26	38,711,821.26	-
Long-term deferred expenses	152,587,491.33	152,587,491.33	-
Deferred tax assets	83,739,383.37	83,739,383.37	-
Other non-current assets	7,373,248.48	7,373,248.48	-
Total non-current assets	1,100,421,188.47	1,100,421,188.47	-
Total assets	3,760,923,285.37	3,760,923,285.37	-
Current liabilities			
Short-term loan	567,908,833.21	567,908,833.21	-
Financial liability held for trading	-	-	-
Bill payable	-	-	-
Accounts payable	279,772,787.37	279,772,787.37	-
Advanced payments	23,433,463.57	3,434,407.04	-19,999,056.53
Contract liabilities	Not applicable	17,698,280.12	17,698,280.12
Employee remuneration payable	82,602,845.67	82,602,845.67	-

Item	As at 31/12/2019	2020.01.01	Amount adjusted
Taxes payable	24,064,803.00	24,064,803.00	-
Other payables	119,616,721.63	119,616,721.63	-
Including: interest payable	-	-	-
Dividend payable	848,233.27	848,233.27	-
Non-current liabilities due in one year	360,140.00	360,140.00	-
Other current liabilities	-	2,300,776.41	2,300,776.41
Total current liabilities	1,097,759,594.45	1,097,759,594.45	-
Non-current liabilities			
Long-term loan	4,321,680.00	4,321,680.00	-
Provisions	-	-	-
Deferred income	3,046,090.60	3,046,090.60	-
Deferred tax liabilities	1,256,242.49	1,256,242.49	-
Other non-current liabilities	-	-	-
Non-current liabilities	8,624,013.09	8,624,013.09	-
Total liabilities	1,106,383,607.54	1,106,383,607.54	-
Shareholder's equity			
Share capital	442,968,881.00	442,968,881.00	-
Capital reserve	1,081,230,215.32	1,081,230,215.32	-
Less: treasury shares	71,267,118.78	71,267,118.78	-
Other comprehensive income	-940,209.09	-940,209.09	-
Special reserves	-	-	-
Surplus reserve	235,701,180.14	235,701,180.14	-
Undistributed profit	966,840,818.40	966,840,818.40	-
Shareholder's equity attributable to the owners of parent company	2,654,533,766.99	2,654,533,766.99	-
Minority shareholder's interest	5,910.84	5,910.84	-
Total shareholder's equity	2,654,539,677.83	2,654,539,677.83	-
Liability and shareholder's equity	3,760,923,285.37	3,760,923,285.37	-

Company Balance Sheet

Item	As at 31/12/2019	2020.01.01	Amount adjusted
Current assets:			
Cash at bank and on hand	270,673,346.02	270,673,346.02	-
Financial assets held for trading	-	-	-
Bill receivable	-	-	-
Accounts receivable	2,848,025.39	2,848,025.39	-
Accounts receivable financing	-	-	-
Prepayments	-	-	-
Other receivable	783,647,732.22	783,647,732.22	-
Including: interest receivable	-	-	-
Dividend receivable	-	-	-
Inventory	-	-	-
Contract asset	Not applicable	-	-
Non-current assets due in one year	-	-	-
Other current assets	12,380,243.67	12,380,243.67	-
Total current assets	1,069,549,347.30	1,069,549,347.30	-
Non-current assets			
Debt investments	-	-	-
Other debt investments	-	-	-
Long-term equity investments	1,380,895,239.27	1,380,895,239.27	-
Other equity investments	85,000.00	85,000.00	-
Other non-current financial assets	-	-	-
Investment property	329,970,083.18	329,970,083.18	-
Fixed assets	238,594,698.50	238,594,698.50	-
Construction-in-progress	-	-	-
Intangible assets	30,925,974.54	30,925,974.54	-

Item	As at 31/12/2019	2020.01.01	Amount adjusted
Long-term deferred expenses	12,106,759.98	12,106,759.98	-
Deferred tax assets	1,125,840.75	1,125,840.75	-
Other non-current assets	4,707,236.86	4,707,236.86	-
Total non-current assets	1,998,410,833.08	1,998,410,833.08	-
Total assets	3,067,960,180.38	3,067,960,180.38	-
Current liabilities			
Short-term loan	540,650,622.50	540,650,622.50	-
Financial liabilities held for trading	-	-	-
Bill payable	-	-	-
Accounts payable	12,952,934.93	12,952,934.93	-
Advanced payments	3,434,407.04	3,434,407.04	-
Contract liabilities	N.A.	-	-
Employee remuneration payable	19,019,554.57	19,019,554.57	-
Taxes payable	1,713,130.68	1,713,130.68	-
Other payables	82,631,590.46	82,631,590.46	-
Including: interest payable	-	-	-
Dividend payable	848,233.27	848,233.27	-
Non-current liabilities due in one year	-	-	-
Other current liabilities	-	-	-
Total current liabilities	660,402,240.18	660,402,240.18	-
Non-current liabilities			
Long-term loans	-	-	-
Provisions	-	-	-
Deferred income	3,046,090.60	3,046,090.60	-
Deferred tax liabilities	-	-	-
Other non-current liabilities	-	-	-
Non-current liabilities	3,046,090.60	3,046,090.60	-
Total liabilities	663,448,330.78	663,448,330.78	-
Shareholder's equity			
Share capital	442,968,881.00	442,968,881.00	-
Capital reserve	1,086,885,756.42	1,086,885,756.42	-
Less: treasury shares	71,267,118.78	71,267,118.78	-
Other comprehensive income	-	-	-
Surplus reserve	235,701,180.14	235,701,180.14	-
Undistributed profit	710,223,150.82	710,223,150.82	-
Total shareholder's equity	2,404,511,849.60	2,404,511,849.60	-
Liability and shareholder's equity	3,067,960,180.38	3,067,960,180.38	-

IV. Taxation

1. Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate %
VAT	Taxable revenue	13, 9, 6 or 5
Consumption tax	Taxable income	20
Urban maintenance and construction tax	Turnover tax payable	7 or 5
Property tax (note (1))	Original cost of property or rental income	1.2 or 12
Corporate income tax	Taxable income	Note (2)

Note (1) property tax

In accordance with Article 5 of "Notice to Publish "Reply to Issues Related to Property Tax and Vehicle and Vessel Usage Tax"", Shen Di Shui Fa (1999) No.374 issued by Shenzhen Local Taxation Bureau, property leased out by manufacturing or business entity are

taxed at 1.2% on the bases of 70% of the original cost of the property.

Properties of the Company that situated in Shenzhen are taxed according to this notice. Properties situated in other cities are taxed according to local regulations.

Note (2) Corporate income tax ("CIT")

Name of entity subject to corporate income tax	Applicable tax rate
The Company (Note ①⑤)	25.00
Shenzhen HARMONY World Watch Center Co., Ltd. (HARMONY Company) (note ①⑤)	25.00
Shenzhen FIYTA Precision Technology Co., Ltd. (Precision Technology Company) (note ②③)	15.00
FIYTA Hong Kong (note ④)	16.50
Station 68 (note ④)	16.50
Shenzhen FIYTA Technology Development Co., Ltd (Technology Company) (note ②③)	15.00
TEMPORAL (Shenzhen) Co., Ltd. (TEMPORAL Company) (note ⑤)	25.00
Shenzhen Harmony E-commerce Co., Ltd. (E-commerce Company) (note ⑦)	20.00
Emile Choureit Timing (Shenzhen) Ltd. (Emile Choureit Shenzhen Company) (note⑤)	25.00
FIYTA Sales Co., Ltd (Sales Company) (note ①⑤)	25.00
Liaoning Hengdarui Commercial & Trade Co., Ltd (Hengdarui Company) (note ⑤)	25.00
Montres Chouriet SA (Swiss Company) (note ⑥)	30.00

Note ①: According to the regulations stated in Guo Shui Fa (2008) No. 28, "Interim Administration Method for Levy of Corporate Income Tax to Enterprise that Operates Cross-regionally", the head office of the Company and its branch offices, the head office of HARMONY Company and its branch offices, and the head office of Sales Company and its branch offices adopt tax submission method of "unified calculation, managing by classes, pre-paid in its registered place, settlement in total, and adjustment by finance authorities" starting from 1 January 2008. Branch offices mentioned above share 50% of the enterprise income tax and prepay locally; and 50% will be prepaid by the head offices mentioned above.

Note ②: According to "Notice of the Ministry of Finance, the State Administration of Taxation and Ministry of Science on Improving the Pre-tax Super Deduction Ratio of Research and Development Expenses" (Cai Shui (2018) No. 99), 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 75% super deduction on top of the R&D expenses that allowed to deduct before income tax during the period from 1 January 2018 to 31 December 2020.

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

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

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

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

Note ⑦ According to “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, it is not taxed at 25% and will be taxed at a rate of 20%.

2. Preferential treatment and corresponding approval

(1) 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.

V. Notes to the consolidated financial statements

1. Cash at bank and on hand

Item	As at 31/12/2020	As at 31/12/2019
Cash on hand	183,759.72	229,258.38
Cash at bank	62,522,861.50	48,187,841.17
Deposit in finance company	283,532,347.79	237,118,456.45
Other monetary funds	6,818,316.70	31,133,009.09
Total	353,057,285.71	316,668,565.09
Including: Total overseas deposits	3,412,028.94	3,641,389.51

At the end of year, the Group 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.

2. Bill receivables

Type	As at 31/12/2020			As at 31/12/2019		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Bank acceptance bills	16,813,464.36	-	16,813,464.36	6,187,353.98	-	6,187,353.98
Commercial acceptance bills	33,030,502.96	1,651,525.17	31,378,977.79	4,626,260.06	217,182.73	4,409,077.33
Total	49,843,967.32	1,651,525.17	48,192,442.15	10,813,614.04	217,182.73	10,596,431.31

Note:

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

(2) Bills have been endorsed but not yet due at the end of the period.

Type	Amount de-recognised	Amount not de-recognised
Bank acceptance bills	-	3,697,813.75
Commercial acceptance bills	-	13,107,174.13
Total	-	16,804,987.88

(3) Bill receivable that transferred to receivables due to issuer's default at the end of the period.

Type	Amount transferred to accounts receivable
Commercial acceptance bills	231,503.50

(4) Classification based on method of accrual of bad debt provision.

Type	As at 31/12/2020				As at 31/12/2019					
	Book value		Provision		Book value	Book value		Provision		Book value
	Amount	Percentage (%)	Amount	ECL rate (%)		Amount	Percentage (%)	Amount	ECL rate (%)	
Standalone accrual	-	-	-	-	-	-	-	-	-	-
Accrued based on group including	49,843,967.32	100.00	1,651,525.17	3.31	48,192,442.15	10,813,614.04	100.00	217,182.73	2.01	10,596,431.31
Commercial acceptance bills	33,030,502.96	66.27	1,651,525.17	5.00	31,378,977.79	4,626,260.06	42.78	217,182.73	4.69	4,409,077.33
Bank acceptance bills	16,813,464.36	33.73	-	-	16,813,464.36	6,187,353.98	57.22	-	-	6,187,353.98
Total	49,843,967.32	100.00	1,651,525.17	3.31	48,192,442.15	10,813,614.04	100.00	217,182.73	2.01	10,596,431.31

Bad debt provision accrued based on groups:

Item: Commercial acceptance bills

Name	As at 31/12/2020			As at 31/12/2019		
	Bill receivables	Bad debt provision	ECL rate (%)	Bill receivables	Bad debt provision	ECL rate (%)
Within 1 year	33,030,502.96	1,651,525.17	5.00	4,626,260.06	217,182.73	4.69

(5) Status of accrual, recovery or reversal of bad debt

Item	Amount of bad debt provision
As at 31/12/2019	217,182.73
Accrual	1,434,342.44
Reversal	-
Written-off	-
Recycled	-
Other	-
As at 31/12/2020	1,651,525.17

(6) There is no written-off of bills receivable during the period.

3. Accounts receivable

(1) Presentation by ageing

Ageing	As at 31/12/2020	As at 31/12/2019
Within 1 year	489,913,393.98	412,028,202.94
1-2 years	10,509,894.86	9,278,600.90
2-3 years	6,142,706.69	1,196,515.64
Over 3 years	2,882,615.92	4,013,110.09
Subtotal	509,448,611.45	426,516,429.57
Less: provision for bad debt	33,849,926.57	29,045,322.59
Total	475,598,684.88	397,471,106.98

(2) Presentation by method of providing bad debt

Category	As at 31/12/2020				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Individually significant and assessed for impairment individually	21,208,447.13	4.16	19,133,975.43	90.22	2,074,471.70
Collectively assessed for impairment based on credit risk characteristics	488,240,164.32	95.84	14,715,951.14	3.01	473,524,213.18
Receivables from other customers					
Individually significant and assessed for impairment individually	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

(continued)

Category	As at 31/12/2019				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Individually significant and assessed for impairment individually	24,140,377.57	5.66	17,562,041.15	72.75	6,578,336.42
Collectively assessed for impairment based on credit risk characteristics	402,376,052.00	94.34	11,483,281.44	2.85	390,892,770.56
Receivables from other customers					
Individually significant and assessed for impairment individually	402,376,052.00	94.34	11,483,281.44	2.85	390,892,770.56
Total	426,516,429.57	100.00	29,045,322.59	6.81	397,471,106.98

Specific bad debt provision provided

Category	As at 31/12/2020			As at 31/12/2019			
	Carrying amount	Provision	ECL rate (%)	Carrying amount	Provision	ECL rate (%)	Reason
Receivables from other	21,208,447.13	19,133,975.43	90.22	24,140,377.57	17,562,041.15	72.75	Unable to recover

customers

Bad debt provision based on groups

Group: Receivables from other customers

Category	As at 31/12/2020			As at 31/12/2019		
	Accounts receivable	Bad debt provision	ECL rate (%)	Accounts receivable	Bad debt provision	ECL rate (%)
Within 1 year	485,986,184.98	13,631,026.91	2.80	398,474,804.41	11,042,487.31	2.77
1-2 years	1,578,878.25	409,823.14	25.96	3,639,298.75	269,502.55	7.41
2-3 years	513,744.00	513,744.00	100.00	122,592.64	31,935.38	26.05
Over 3 years	161,357.09	161,357.09	100.00	139,356.20	139,356.20	100.00
Total	488,240,164.32	14,715,951.14	3.01	402,376,052.00	11,483,281.44	2.85

(3) Accrual, recovery or reversals of provision during the year:

	Bad debt provision
As at 31/12/2019	29,045,322.59
Adjustment amount for initial adoption of new revenue standard	-
2020.01.01	29,045,322.59
Accrual	6,813,816.36
Recovery or reversals	187,236.30
Written-off	1,799,519.78
Transferred	-
Other	-22,456.30
As at 31/12/2020	33,849,926.57

(4) Receivables that are written-off during the period.

Item	Amount
Written-off of accounts receivable	1,799,519.78

Including: significant accounts receivables that were written-off are as follows:

Name	Nature	Amount	Reason	Procedures followed	Whether it involves related party transaction
Xi'an Shiji Jinhua Qujiang Shopping Mall Co., Ltd.	Trade receivable	1,702,371.94	Unable to recover	Approved	No

(5) Top five accounts receivable are analyzed as follows:

The total amount of receivables from top five accounts amounts to RMB159,372,167.34, accounted for 31.28% of total balance of accounts receivable as of the period end. Corresponding bad debt provision accrued is RMB4,797,102.24.

4. Prepayments

(1) Presented by ageing

Ageing	As at 31/12/2020		As at 31/12/2019	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	16,612,773.76	100.00	10,221,061.48	94.23
1-2 years	-	-	284,733.40	2.62
Over 2 years	-	-	342,167.40	3.15
Total	16,612,773.76	100.00	10,847,962.28	100.00

(2) Top 5 prepayment accounts as of period end

Total amount of prepayments to top five accounts amounts to RMB13,800,793.18, accounted for 83.07% of total balance of prepayments as of the period end.

5. Other receivable

Item	As at 31/12/2020	As at 31/12/2019
Interest receivable	-	-
Dividends receivable	-	-
Other receivables	52,902,779.63	47,239,844.58
Total	52,902,779.63	47,239,844.58

(1) Other receivables

① Presented by ageing

Ageing	As at 31/12/2020	As at 31/12/2019
Within 1 year	55,677,698.47	49,453,416.07
1-2 years	662,641.27	11,101.80
2-3 years	11,101.80	186,180.00
Over 3 years	588,065.00	7,933,538.12
Subtotal	56,939,506.54	57,584,235.99
Less: bad debt provision	4,036,726.91	10,344,391.41
Total	52,902,779.63	47,239,844.58

② Presented by nature

Item	As at 31/12/2020			As at 31/12/2019		
	Book value	Provision	Carrying amount	Book value	Provision	Carrying amount
Petty cash	2,438,803.09	-	2,438,803.09	2,147,617.27	-	2,147,617.27
Security deposit	45,981,846.00	2,762,853.51	43,218,992.49	45,014,657.70	3,093,646.11	41,921,011.59
Social security payment on-behalf	792,711.42	-	792,711.42	526,453.88	-	526,453.88
Others	7,726,146.03	1,273,873.40	6,452,272.63	9,895,507.14	7,250,745.30	2,644,761.84
Total	56,939,506.54	4,036,726.91	52,902,779.63	57,584,235.99	10,344,391.41	47,239,844.58

③ Status of bad debt provision

Bad debt provision at the first stage as of period end:

Category	Book value	ECL rate in next 12 month (%)	Bad debt Provision	Carrying amount	Note
Individually significant and assessed for impairment individually	-	-	-	-	
Collectively assessed for impairment based on credit risk characteristics	55,271,836.64	4.29	2,369,057.01	52,902,779.63	
Petty cash	2,438,803.09	-	-	2,438,803.09	
Security deposit	45,500,721.00	5.01	2,281,728.51	43,218,992.49	
Social security payment on-behalf	792,711.42	-	-	792,711.42	
Others	6,539,601.13	1.34	87,328.50	6,452,272.63	
Total	55,271,836.64	4.29	2,369,057.01	52,902,779.63	

As of the period end, the Company does not have other receivables at the second stage.

Bad debt provision at the third stage as of the period end:

Category	Book value	ECL rate of the life time receivables (%)	Provision	Carrying amount	reason
Individually significant and assessed for impairment individually					
Huaming Hang Co., Ltd.	480,000.00	100.00	480,000.00	-	Chances of recovery is remote
Beijing Konggang Runze Exhibition Co., Ltd.	470,625.00	100.00	470,625.00	-	Chances of recovery is remote
SwissTech (Shenzhen) Co., Ltd.	649,029.90	100.00	649,029.90	-	Chances of recovery is remote
Others	68,015.00	100.00	68,015.00	-	Chances of recovery is remote
Total	1,667,669.90	100.00	1,667,669.90	-	—

Bad debt provision as of 31 December 2019:

Bad debt provision at the first stage:

Category	Book value	ECL rate of the life time receivables (%)	Provision	Carrying amount	Note
Individually significant and assessed for impairment individually	-	-	-	-	
Collectively assessed for impairment based on credit risk characteristics	49,690,747.87	4.93	2,450,903.29	47,239,844.58	
Petty cash	2,147,617.27	-	-	2,147,617.27	
Security deposit	44,214,657.70	5.19	2,293,646.11	41,921,011.59	
Social security payment on-behalf	526,453.88	-	-	526,453.88	
Others	2,802,019.02	5.61	157,257.18	2,644,761.84	
Total	49,690,747.87	4.93	2,450,903.29	47,239,844.58	

As of 31 December 2019, the Group does not have other receivables at the second stage.

Bad debt provision at the third stage as of 31 December 2019:

Category	Book value	ECL rate of the life time receivables (%)	Provision	Carrying amount	reason
Individually significant and assessed for impairment individually					
Beat Blattman Marketing	4,189,004.42	100.00	4,189,004.42	-	Chances of recovery is remote
Liberty Time Center GmbH	2,333,707.20	100.00	2,333,707.20	-	Chances of recovery is remote
China Resources (Chong Qing) Industrial Co., Ltd.	800,000.00	100.00	800,000.00	-	Chances of recovery is remote
Huaming Hang Co., Ltd.	480,000.00	100.00	480,000.00	-	Unable to recover
Others	90,776.50	100.00	90,776.50	-	Unable to recover
Total	7,893,488.12	100.00	7,893,488.12	-	—

④ Accrual, recovery or reversals of provision during the year

Bad debt provision	1 st stage ECL in next 12 month	2 nd stage ECL for the life time of receivables (no impairment yet)	3 rd stage ECL for the life time of receivables (impaired)	Total
Balance as at 31 December 2019	2,450,903.29	-	7,893,488.12	10,344,391.41
Current period				
--transferred to 2 nd stage	-	-	-	-

-- transferred to 3rd stage	-1,119,654.90	-	1,119,654.90	-
--Reversed to 2 nd stage	-	-	-	-
--Reversed to 3 rd stage	-	-	-	-
Accrued	1,054,047.15	-	-	1,054,047.15
Reversed	15,285.41	-	2,761.50	18,046.91
Realized	-	-	-	-
Written-off	-	-	7,342,711.62	7,342,711.62
Other changes	-953.12	-	-	-953.12
Balance as of 31 December 2020	2,369,057.01	-	1,667,669.90	4,036,726.91

⑤ Other receivables that were written-off during the year

Item	Amount
Other receivables that actually written-off	7,342,711.62

Including: significant other receivables that were written-off

Name	Nature	Amount	Reason	Procedures	Whether it involves related party transaction
Beat Blattman Marketing	Prepayment	4,189,004.42	Unable to recover	Approved	No
Liberty Time Center GmbH	Prepayment	2,333,707.20	Unable to recover	Approved	No
China Resources (Chong Qing) Industrial Co., Ltd.	Deposit	800,000.00	Unable to recover	Approved	No
Total	—	7,322,711.62	—	—	—

⑥ Top five other receivable are analyzed as follows:

The total amount of other receivables from top five accounts amounts to RMB19,908,642.37, accounted for 34.96% of total balance of other receivable as of the period end. Corresponding bad debt provision accrued is RMB997,422.98.

6. Inventories

(1) Category

Item	As at 31/12/2020			As at 31/12/2019		
	Book value	Provision	Carrying amount	Book value	Provision	Carrying amount
Raw material	179,270,879.56	19,017,726.57	160,253,152.99	195,644,341.20	21,197,269.90	174,447,071.30
WIP	12,570,005.95	-	12,570,005.95	11,707,382.99	-	11,707,382.99

Stored goods	1,837,664,688.01	78,707,661.10	1,758,957,026.91	1,684,674,585.69	62,008,950.06	1,622,665,635.63
Total	2,029,505,573.52	97,725,387.67	1,931,780,185.85	1,892,026,309.88	83,206,219.96	1,808,820,089.92

(2) Provision for inventory

Item	2020.01.01	Increase		Decrease		As at 31/12/2020
		Accrual	Others	Reverse or realized	Others	
Raw material	21,197,269.90	-	-	1,349,501.13	830,042.20	19,017,726.57
Merchandises	62,008,950.06	16,776,027.54	-	-	77,316.50	78,707,661.10
Total	83,206,219.96	16,776,027.54	-	1,349,501.13	907,358.70	97,725,387.67

Provision for inventory (continue)

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	Disposed
Merchandises	Estimated selling price less estimated selling and distributing expenses and associated taxes	Sold

7. Other current assets

Item	As at 31/12/2020	As at 31/12/2019
Input VAT	59,218,711.69	47,626,820.11
Prepaid corporate income tax	25,684.51	1,313,954.49
Others	16,690,745.56	19,917,322.14
Total	75,935,141.76	68,858,096.74

8. Long-term equity investment

Investee	As at 31/12/2019	Changes during the period								As at 31/12/2020	Balance of impairment provision as of year end
		Addition/new investment	Withdrawn	Investment gains and losses recognised by equity method	Adjustment of other comprehensive income	Changes in other equity	Cash dividend declared	Impairment provision	Others		
Associate Shanghai Watch Co., Ltd. (Shanghai Watch)	46,423,837.85	-	-	4,976,828.07	-	-	-	-	-	51,400,665.92	-

9. Other equity instrument investment

Item	As at 31/12/2020	As at 31/12/2019
Shenzhen Zhonghang Culture Co. Ltd	-	-
Xi'an Tangcheng Limited	85,000.00	85,000.00
Total	85,000.00	85,000.00

Because the equity investment to Shenzhen Zhonghang Culture Co. Ltd and Xi'an Tangcheng Limited is based on long term holding for strategic purpose, the Group designated them as fair value through other comprehensive income.

10. Investment properties

Item	Property and plant
I. Original cost	
1.As at 31/12/2019	603,886,647.35
2.addition	5,718,759.44
(1) purchase	-
(2) transferred from inventory/CIP	5,718,759.44
(3) increased due to business combination	-
3.Decrease	-
(1) Disposal	-
(2) Others	-
4.As at 31/12/2020	609,605,406.79
II. Accumulated depreciation	
1.As at 31/12/2019	196,383,340.11
2.Addition	15,135,618.90
(1) accrual	14,201,033.04
(2) business combination	-
(3) Others	934,585.86
3.Decrease	-
(1) Disposal	-
(2) Others	-
4.As at 31/12/2020	211,518,959.01
III. Impairment provision	
1.As at 31/12/2019	-
2.Increase	-
(1) Accrual	-
(2) Others	-

3、Decrease	-
(1) Disposal	-
(2) Others	-
4.As at 31/12/2020	-
IV. Carrying amount	
1.As at 31/12/2020	398,086,447.78
2.As at 31/12/2019	407,503,307.24

Note:

(1) Reason of the investment properties without the certificate for property right:

As of 31 December 2020, there was no investment property without the certificate for property right.

(2) Changes of purpose of property

During the reporting period, certain self-use property of the Group were changed to lease out and they were transferred from fixed assets to investment properties measured at cost model.

11. Fixed asset

Item	As at 31/12/2020	As at 31/12/2019
Fixed asset	352,734,280.76	363,997,098.94
Fixed asset disposal	-	-
Total	352,734,280.76	363,997,098.94

(1) Fixed asset

① Status

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
I. Total cost						
1.As at 31/12/2019	399,884,182.37	88,576,975.77	15,357,879.37	45,484,697.66	46,262,752.19	595,566,487.36
2. Additions	5,031,946.21	14,185,665.19	291,938.05	2,883,838.19	1,206,627.46	23,600,015.10
(1) Purchasing	3,803,273.74	13,563,231.62	291,938.05	2,863,667.79	1,150,661.76	21,672,772.96
(2) Transfer from construction in progress	-	-	-	-	-	-
(3) Others	1,228,672.47	622,433.57	-	20,170.40	55,965.70	1,927,242.14
3. Decrease	5,895,929.61	865,836.98	483,804.00	2,933,284.32	1,687,173.34	11,866,028.25
(1) Disposal or retired	-	792,659.12	483,804.00	2,932,518.78	1,687,173.34	5,896,155.24
(2) transferred into investment property	5,718,759.44	-	-	-	-	5,718,759.44
(3) Others	177,170.17	73,177.86	-	765.54	-	251,113.57

4.As at 31/12/2020	399,020,198.97	101,896,803.98	15,166,013.42	45,435,251.53	45,782,206.31	607,300,474.21
II. Accumulated depreciation						
1.As at 31/12/2019	99,134,756.79	49,325,868.54	13,492,690.81	32,184,334.98	37,431,737.30	231,569,388.42
2.increase	13,666,448.03	7,620,683.90	396,299.62	4,507,211.15	2,780,144.56	28,970,787.26
(1) accrual	13,373,223.07	6,967,947.86	396,299.62	4,428,701.90	2,780,144.56	27,946,317.01
(2) others	293,224.96	652,736.04	-	78,509.25	-	1,024,470.25
3.Decrease	1,045,518.58	562,603.40	459,613.80	2,526,508.27	1,379,738.18	5,973,982.23
(1) disposal or retirement	-	496,815.85	459,613.80	2,525,781.00	1,379,738.18	4,861,948.83
(2) transferred into investment properties	1,045,518.58	65,787.55	-	727.27	-	1,112,033.40
4.As at 31/12/2020	111,755,686.24	56,383,949.04	13,429,376.63	34,165,037.86	38,832,143.68	254,566,193.45
III. Impairment provision						
1.As at 31/12/2019	-	-	-	-	-	-
2.Increase	-	-	-	-	-	-
(1) accrual	-	-	-	-	-	-
(2) others	-	-	-	-	-	-
3.Decrease	-	-	-	-	-	-
(1) disposal or retirement	-	-	-	-	-	-
(2) Others	-	-	-	-	-	-
4.As at 31/12/2020	-	-	-	-	-	-
IV. Carrying amount						
1.As at 31/12/2020	287,264,512.73	45,512,854.94	1,736,636.79	11,270,213.67	6,950,062.63	352,734,280.76
2.As at 31/12/2019	300,749,425.58	39,251,107.23	1,865,188.56	13,300,362.68	8,831,014.89	363,997,098.94

Note: As of the period, fixed assets used to pledge for the Group's loan amounted to RMB13,441,613.20.

② Fixed assets that do not have certificate for property right

Item	Carrying amount	Reason for not having certificate for property rights
Office rooms of Harbin Branch	255,135.96	Issues relating to property right

12. Intangible asset

(1) Status

Item	Land-use right	Software system	Right to use trademarks	Total
I. Total original cost				
1. As at 31/12/2019	34,933,822.40	24,114,126.36	11,930,531.38	70,978,480.14
2. Additions	-	5,020,566.44	2,138,375.48	7,158,941.92
(1) Purchase	-	5,020,566.44	2,138,375.48	7,158,941.92
(2) Internal R&D	-	-	-	-
(3) Increased due to business combination	-	-	-	-
(4) Others	-	-	-	-
3. Decreases	-	-	-	-
(1) Disposal	-	-	-	-
(2) Others	-	-	-	-
4. As at 31/12/2020	34,933,822.40	29,134,692.80	14,068,906.86	78,137,422.06
II. Total accumulated amortization				
1. As at 31/12/2019	14,315,262.17	12,448,523.47	5,502,873.24	32,266,658.88
2. Additions	733,553.28	6,164,217.44	1,113,675.95	8,011,446.67
(1) Accrual	733,553.28	6,164,217.44	1,113,675.95	8,011,446.67
(2) others	-	-	-	-
3. Decreases	-	-	-	-
(1) Disposal	-	-	-	-
(2) other	-	-	-	-
4. As at 31/12/2020	15,048,815.45	18,612,740.91	6,616,549.19	40,278,105.55
III. Total impairment provision				
1. As at 31/12/2019	-	-	-	-
2. Additions	-	-	-	-
(1) Accrual	-	-	-	-
(2) other	-	-	-	-
3. Decrease	-	-	-	-
(1) disposal	-	-	-	-
(2) others	-	-	-	-
4. As at 31/12/2020	-	-	-	-
IV. Total carrying amount				
1. As at 31/12/2020	19,885,006.95	10,521,951.89	7,452,357.67	37,859,316.51
2. As at 31/12/2019	20,618,560.23	11,665,602.89	6,427,658.14	38,711,821.26

13. Long-term deferred expenses

Item	As at 31/12/2019	Increase	Decrease		As at 31/12/2020
			Amortized	Others	
Counter fabrication expenses	41,961,947.89	30,796,935.58	47,612,116.76	-	25,146,766.71
Renovation expenses	95,266,200.86	54,035,461.65	50,619,946.05	-	98,681,716.46
Others	15,359,342.58	-	9,170,237.76	-	6,189,104.82
Total	152,587,491.33	84,832,397.23	107,402,300.57	-	130,017,587.99

14. Deferred tax assets and deferred tax liabilities

(1) Detail of deferred income tax before offsetting

Item	As at 31/12/2020		As at 31/12/2019	
	Deductible/Taxable temporary difference	DTA/DTL	Deductible/Taxable temporary difference	DTA/DTL
Deferred tax asset:				
Impairment provision	122,763,597.44	24,130,990.19	100,912,679.00	22,188,996.64
Unrealized profit for related party transactions	135,402,764.86	33,674,974.92	179,676,673.34	44,654,504.04
Deductible losses	64,272,084.42	15,216,766.23	50,678,682.32	12,074,057.61
Restricted shares	10,011,227.40	2,398,201.09	4,440,625.91	1,062,967.67
Advertisement expenses that allowed to deduct in future years	18,840,253.36	3,378,321.23	14,988,443.65	2,997,334.76
Others	8,458,186.73	2,114,546.69	3,046,090.60	761,522.65
Subtotal	359,748,114.21	80,913,800.35	353,743,194.82	83,739,383.37
Deferred tax liability				
One-off deduction of fixed asset before Corporate income tax	20,452,230.39	3,067,834.55	8,374,949.93	1,256,242.49
Subtotal	20,452,230.39	3,067,834.55	8,374,949.93	1,256,242.49

(2) Details of deductible temporary difference and deductible losses that does not recognize as deferred income tax asset

Item	As at 31/12/2020	As at 31/12/2019
Impairment provision	14,790,427.78	22,200,437.70
Deductible losses	61,104,363.07	64,205,351.75
Total	75,894,790.85	86,405,789.45

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.

(3) Deductible losses that are not recognized as deferred tax asset will due in the following years:

Year	As at 31/12/2020	As at 31/12/2019	Note
2020	-	-	
2021	-	-	
2022	-	-	
2023	-	2,417,279.16	
2024	7,114,967.80	7,798,677.32	
2025	11,684,299.22	11,684,299.22	
2026	18,449,678.50	18,449,678.50	
2027	23,855,417.55	23,855,417.55	
2028	-	-	
2029	-	-	
2030	-	-	
2031	-	-	
Total	61,104,363.07	64,205,351.75	

15. Other non-current assets

Item	As at 31/12/2020	As at 31/12/2019
Prepayment for construction and equipment	13,536,307.13	7,373,248.48

16. Short-term loan

Item	As at 31/12/2020	As at 31/12/2019
Guaranteed loans	142,247,348.04	37,271,502.38
Credit loans	400,425,930.05	530,637,330.83
Total	542,673,278.09	567,908,833.21

Refer to Note XII. 2 for details of guaranteed loans between parent companies and subsidiaries.

17. Bills payable

Type	As at 31/12/2020	As at 31/12/2019
Commercial bills payable	3,581,360.00	-

18. Accounts payable

Item	As at 31/12/2020	As at 31/12/2019
Trade payables	284,050,848.79	254,887,129.91
Payables for material purchased	15,679,531.11	11,932,722.53
Payables for project	1,481,135.49	12,952,934.93
Total	301,211,515.39	279,772,787.37

19. Advances from customer

Item	As at 31/12/2020	As at 31/12/2019
Advances received for trade	—	19,999,056.53
Rental received	9,991,850.67	3,434,407.04
Total	9,991,850.67	23,433,463.57

20. Contract liabilities

Item	As at 31/12/2020	2020.01.01	As at 31/12/2019
Contract liabilities	18,213,396.49	17,698,280.12	—
Less: contract liabilities that are included in non-current liabilities	-	-	—
Total	18,213,396.49	17,698,280.12	—

21. Employee remuneration payable

Item	As at 31/12/2019	Increase	Decrease	As at 31/12/2020
Short-term employee benefits	75,434,545.00	610,053,139.26	559,506,445.64	125,981,238.62
Post-employment benefits - defined contribution plans	7,067,511.52	15,809,654.89	16,109,688.83	6,767,477.58
Termination benefits	100,789.15	2,471,591.42	2,467,634.57	104,746.00
Other benefits due within one year	-	-	-	-
Total	82,602,845.67	628,334,385.57	578,083,769.04	132,853,462.20

(1) Short-term employee benefits

Item	As at 31/12/2019	Accrued	Paid	As at 31/12/2020
Salaries, bonus, allowances	74,919,776.81	557,277,615.35	507,060,914.51	125,136,477.65
Staff welfare	-	10,994,982.07	10,991,176.61	3,805.46
Social insurances	-	16,737,415.16	16,737,415.16	-
Including: 1. Medical insurance	-	15,781,783.37	15,781,783.37	-
2. Work-related injury insurance	-	158,613.03	158,613.03	-
3. Maternity insurance	-	797,018.76	797,018.76	-
Housing Fund	-	17,616,853.88	17,613,921.88	2,932.00
Labor union fees and education fee	514,768.19	7,426,272.80	7,103,017.48	838,023.51
Short-term paid absences	-	-	-	-
Short-term profit-sharing plan	-	-	-	-
Non-monetary benefits	-	-	-	-
Other short-term employee benefits	-	-	-	-
Total	75,434,545.00	610,053,139.26	559,506,445.64	125,981,238.62

(2) Defined contribution plans

Item	As at 31/12/2019	Accrued	Paid	As at 31/12/2020
Post-employment benefits	7,067,511.52	15,809,654.89	16,109,688.83	6,767,477.58
Including: 1.Basic pension insurance	255,571.47	9,262,583.57	9,222,178.59	295,976.45
2.Unemployment insurance	-	195,627.59	195,189.83	437.76
3.Annuity	6,811,940.05	6,351,443.73	6,692,320.41	6,471,063.37
4.Others	-	-	-	-
Total	7,067,511.52	15,809,654.89	16,109,688.83	6,767,477.58

22. Taxes payable

Taxes	As at 31/12/2020	As at 31/12/2019
VAT	36,028,888.63	6,929,833.12
Corporate income tax	29,488,177.68	15,512,840.60
Individual income tax	1,609,420.04	1,227,923.78
Urban maintenance and construction tax	631,469.18	91,612.52
Educational surcharges	450,946.60	65,887.11
Others	716,369.77	236,705.87
Total	68,925,271.90	24,064,803.00

23. Other payables

Item	As at 31/12/2020	As at 31/12/2019
Interest payable	-	-
Dividends payable	1,639,513.77	848,233.27
Other payables	126,938,084.17	118,768,488.36
Total	128,577,597.94	119,616,721.63

(1) Dividends payable

Item	As at 31/12/2020	As at 31/12/2019
Dividends for ordinary shares	1,639,513.77	848,233.27

(2) Other payables

Item	As at 31/12/2020	As at 31/12/2019
Security deposit	46,419,944.64	45,114,205.97
Shop activity fund	21,861,578.14	16,636,771.40
Personal accounts payable	137,818.57	1,321,518.82

Decoration expenses	7,481,768.84	4,556,469.41
Repurchase liability for restricted shares	16,299,166.73	17,737,366.73
Other	34,737,807.25	33,402,156.03
Total	126,938,084.17	118,768,488.36

24. Non-current liabilities due within one year

Item	As at 31/12/2020	As at 31/12/2019
Mortgage loans	370,030.00	360,140.00

(1) Long-term loan due within one year

Item	As at 31/12/2020	As at 31/12/2019
Long-term loan due within one year	370,030.00	360,140.00

See Note V.26 for type and amount of mortgaged assets.

25. Other current liabilities

Item	As at 31/12/2020	As at 31/12/2019
Output VAT tax not realized	2,299,755.09	—

26. Long-term loan

Item	As at 31/12/2020	Interest rate	As at 31/12/2019	Interest rate
Mortgage loans	4,440,360.00	3.00%	4,681,820.00	3.00%
Subtotal	4,440,360.00	—	4,681,820.00	—
Less: Long-term loan due within one year	370,030.00	3.00%	360,140.00	3.00%
Total	4,070,330.00	—	4,321,680.00	—

As of 31 December 2020, the carrying amount of fixed assets used in mortgage for the Group's loan amounted to RMB13,441,613.20.

27. Deferred income

Item	As at 31/12/2019	Addition	Decrease	As at 31/12/2020	Reason
Government grant	3,046,090.60	609,576.69	739,320.86	2,916,346.43	Criteria of recognizing gain is not reached

See Note V. 52 Government grant for details of government grants that are included in deferred income.

28. Share capital

Total	As at	Movements(+, -)	As at 31/12/2020
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	31/12/2019	Newly issued	Bonus share	Capitalization of capital reserves	Others	subtotal	
Total shares	442,968,881	-14,877,000	-	-	-	-14,877,000	428,091,881

(1) Pursuant to "The Resolution of Plan of Re-purchase B Shares" which was approved on the 7th meeting of the 9th Board of Directors and the 2nd extraordinary shareholder's meeting of 2019, the Company was authorised to repurchased B Shares, using the Company's fund, to reduce the registered capital. On 29 April 2020, confirmed by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, the Company de-registered 14,730,000 B-shares.

(2) Pursuant to the resolution of "Proposal of repurchase and de-registration a portion of restricted shares authorised under 2018 A-share Restricted Share Incentive Plan (First Phase)", in 2020, the Company repurchased and de-registered 147,000 A-share restricted shares that had been authorised but still under restriction period. Those shares were owned by 6 former incentive individuals that are resigned.

29. Capital reserve

Item	As at 31/12/2019	Increase	Decrease	As at 31/12/2020
Share premium	1,062,297,140.76	-	65,310,429.03	996,986,711.73
Other capital reserve	18,933,074.56	5,570,601.49	-	24,503,676.05
Total	1,081,230,215.32	5,570,601.49	65,310,429.03	1,021,490,387.78

(1) Pursuant to "The Resolution of Plan of Re-purchase B Shares" which was approved on the 7th meeting of the 9th Board of Directors and the 2nd extraordinary shareholder's meeting of 2019, the Company was authorised to repurchased B Shares, using the Company's fund, to reduced the registered capital. On 29 April 2020, confirmed by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, the Company de-registered 14,730,000 B-shares. Capital reserve was reduced by RMB 64,764,304.92 accordingly.

(2) Pursuant to the resolution of "Proposal of repurchase and de-registration part of restricted shares authorised under 2018 A-share Restricted Share Incentive Plan (First Phase)", the Company repurchased and de-registered, in 2020, 147,000 A-share restricted shares that had been authorised but still under restriction period. Those shares were owned by 6 former incentive object that are resigned. Capital reserve was reduced by RMB 499,800.00 accordingly.

(3) On 4 January 2019, pursuant to the examination and approval given by SASAC under "Reply to Examination and approval of Implementation of First Phase of Restricted Share Incentive plan of FIYTA (Group) Holding Ltd." (GuoZi KaoFen [2018] No. 936), and approved by the board of directors and shareholder's general meeting, the Company implemented the incentive plan. On 11 January 2019, the restricted share incentive plan (first phase) had granted restricted A-shares to incentive individuals. In 2020, the Group increased RMB 5,570,601.49 in capital reserve and charged the amount to related cost or expenses in exchange of the incentive individuals' service.

(4) Pursuant to "The Resolution of Plan of Re-purchase B Shares" which was approved on the 7th meeting of the 9th Board of Directors and the 2nd extraordinary shareholder's meeting of 2019, and 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 46,324.11 for the repurchase. The expenses of RMB 46,324.11 was deducted from capital reserve.

30. Treasury shares

Item	As at 31/12/2019	Increase	Decrease	As at 31/12/2020
Treasury shares	71,267,118.78	71,338,916.62	80,972,504.92	61,633,530.48

(1) As described in Note V. 29 Capital reserve note (1), the Company de-registered B-shares and the treasury shares decreased by RMB 79,494,304.92.

(2) As described in Note V. 29 Capital reserve note (2), the Company de-registered restricted shares repurchased and the treasury shares decrease by RMB 646,800.00,. the cash dividend corresponding to the restricted shares of RMB 831,400.00 was deducted treasury shares accordingly.

(3) In 2020, the Company re-purchased B-share of 12,866,401 shares. Consideration paid was HKD81,319,545.03 (excluding trading fee), equivalent to RMB71,338,916.62. The treasury share increased by 71,338,916.62.

31. Other comprehensive income

Item	As at 31/12/2019	Movements in 2020					As at 31/12/2020
		Pre-tax movements	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: CIT	Attribute to parent company after tax	Attribute to minority shareholders after tax	
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Other comprehensive income items which may be reclassified subsequently to profit or loss							
Including: translation difference of foreign currency financial statements	-940,209.09	1,916,506.80	-	-	1,917,080.50	-573.70	976,871.41
Total	-940,209.09	1,916,506.80	-	-	1,917,080.50	-573.70	976,871.41

Note: Net-of-tax amount of other comprehensive income during the year 2020 is RMB1,916,506.80, in which net-of-tax amount of other comprehensive income attributable to shareholders of the Company is RMB1,917,080.50, and net-of-tax amount of other comprehensive income attributable to non-controlling interests is RMB-573.70.

32. Surplus reserve

Item	As at 31/12/2019	Increase	Decrease	As at 31/12/2020
Statutory surplus reserve	173,716,286.14	10,830,686.73	-	184,546,972.87
Discretionary surplus reserve	61,984,894.00	-	-	61,984,894.00
Total	235,701,180.14	10,830,686.73	-	246,531,866.87

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.

33. Undistributed profit

Item	2020	2019	Note
Undistributed profit at the end of prior year before adjustments	966,840,818.40	851,360,603.66	--
Adjustments to undistributed profit at the beginning of year	-	-	--
Undistributed profit at the beginning of year after adjustment	966,840,818.40	851,360,603.66	
Plus: Net profit attributable to the owner of the parent company for the year	294,115,156.04	215,909,014.15	--
Less: statutory surplus reserve drawn	10,830,686.73	12,685,386.34	
Dividends payable to ordinary shares	85,634,376.20	87,743,413.07	
Undistributed profit at the end of year	1,164,490,911.51	966,840,818.40	
Including: appropriation to surplus reserves made by the Company's subsidiaries attributable to the Company	26,409,371.15	10,229,847.23	

34. Operating income and operating cost

(1) Operating income and operating cost

Item	2020		2019	
	Operating income	Operating cost	Operating income	Operating cost
Main business	4,226,992,193.44	2,632,869,284.16	3,686,955,944.86	2,211,874,573.32
Other business	16,447,759.15	6,360,252.90	17,254,790.04	5,333,158.72
Total	4,243,439,952.59	2,639,229,537.06	3,704,210,734.90	2,217,207,732.04

(2) Main business presented by industry

Industry	2020		2019	
	Operating income	Operating cost	Operating income	Operating cost
Main business				
Watch	3,970,903,426.36	2,478,548,735.40	3,463,608,966.45	2,109,978,800.45

Precision manufacturing	138,806,456.76	113,748,608.41	91,341,945.34	73,717,603.23
Lease	117,282,310.32	40,571,940.35	132,005,033.07	28,178,169.64
Subtotal	4,226,992,193.44	2,632,869,284.16	3,686,955,944.86	2,211,874,573.32
Other business				
Others	16,447,759.15	6,360,252.90	17,254,790.04	5,333,158.72
subtotal	16,447,759.15	6,360,252.90	17,254,790.04	5,333,158.72
Total	4,243,439,952.59	2,639,229,537.06	3,704,210,734.90	2,217,207,732.04

(3) Details of operating income

Item	2020			
	Watch sales	Precision manufacturing	Others	Total
Main business				
Including: recognise at a point of time	3,970,903,426.36	138,806,456.76	-	4,109,709,883.12
Recognise over a period of time	-	-	-	-
Other business				
Others	-	-	16,447,759.15	16,447,759.15
Total	3,970,903,426.36	138,806,456.76	16,447,759.15	4,126,157,642.27

Note: the above amount does not include lease income of RMB 117,282,310.32 under Accounting Standards for Business Enterprises-21 lease.

35. Taxes and surcharges

Item	2020	2019
Urban maintenance and construction tax	10,068,664.42	11,435,460.45
Educational surcharge	4,314,874.91	4,891,150.79
Local educational surcharge	2,840,421.94	3,216,962.37
Property tax	4,094,171.89	4,037,914.43
Land use tax	314,851.20	391,201.52
Stamp duty	2,715,802.17	2,384,290.09
Others	1,095,352.77	1,835,809.90
Total	25,444,139.30	28,192,789.55

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

36. Selling and distribution expenses

Item	2020	2019
Salary	359,485,012.85	359,640,526.77

Department store expense and rental	225,399,141.62	181,211,260.52
Market promotion expenses	129,846,038.05	155,102,618.44
Depreciation and amortization	93,520,422.84	92,468,987.37
Packaging expenses	8,931,806.05	11,125,541.27
Utilities and property management expenses	19,596,237.03	19,283,177.10
Shipping fees	5,316,601.90	14,689,427.89
Office expenses	5,894,271.36	5,827,092.35
Travel expenses	6,384,080.73	10,479,738.66
Entertainment expenses	3,437,118.33	4,549,777.07
Others	12,903,168.56	11,413,931.17
Total	870,713,899.32	865,792,078.61

37. Administrative expenses

Item	2020	2019
Salary	196,350,562.99	170,242,331.00
Depreciation and amortization	25,865,228.70	30,001,693.96
Travel expenses	3,537,267.52	7,543,194.55
Office expenses	4,446,219.38	3,966,450.49
Agents fees	5,371,712.37	5,146,625.69
Rental and utilities	1,007,513.11	6,140,097.22
Others	19,980,623.16	17,579,596.13
Total	256,559,127.23	240,619,989.04

38. Research and development expenses

Item	2020	2019
Salary	32,217,390.03	25,225,831.95
Material and mould	1,517,998.88	1,654,367.12
Sample fee	1,434,612.19	1,874,392.46
Depreciation and amortization	6,397,967.06	5,120,979.03
Technical cooperation fee	4,768,053.72	5,488,880.26
Others	5,153,301.61	5,693,289.43
Total	51,489,323.49	45,057,740.25

39. Financial expenses

Item	2020	2019
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Total interest expenses	21,315,119.78	23,975,351.93
Less: Interest capitalization	-	-
Interest income	4,941,334.19	1,956,316.52
Exchange gain	3,896,579.87	-2,920.03
Bank charges	13,178,910.95	10,799,162.19
Total	33,449,276.41	32,815,277.57

40. Other income

Item	2020	2019	Asset or income related
Special fund of Nanshan district to support self-innovation industry development	4,526,600.00	918,600.00	income related
Subsidy for stabilizing job position	3,743,398.00	209,468.63	income related
Headquarters enterprise award	2,872,900.00	4,843,500.00	income related
Special fund of Nanshan district Industrial and Information Bureau to support trading industry	2,592,300.00	-	income related
Quality and Branding Promotion Subsidy for 2020 Technique Multiplication Subsidy Plan	2,400,000.00	-	income related
Guangdong Provincial Science and Technology Innovation Strategy Fund	1,000,000.00	-	income related
Subsidy to support sales promotion	1,000,000.00	-	income related
2019 Shenzhen Standard Special Fund	979,160.00	-	income related
Economic development special fund of Guangming District to support intellectual property right, standardization certification project	677,000.00	1,033,000.00	income related
Training subsidy	611,500.00	-	income related
Chengdu Social Insurance Management Bureau Subsidy to stabilize job position	70,948.61	-	income related
Corporate Research and Development Funding	571,000.00	3,156,000.00	income related
Plan to subsidy industrial internet development	520,000.00	-	income related
Central government foreign trade development special fund	446,964.00	-	income related
Commission on IIT payment	370,789.08	469,005.01	income related
R&D project subsidy	355,000.00	-	income related
Special subsidy to Shenzhen intelligence property right area	300,000.00	-	income related

State certified R&D center	293,147.06	293,147.06	Asset related
2019 Nanshan District self-innovation industry development subsidy	209,500.00	-	income related
Associate subsidy to China patent excellence award	200,000.00	300,000.00	income related
Special fund for Shenzhen industrial designing	178,635.97	203,066.21	Asset related
Subsidy for SME to expanding market	176,920.00	387,940.49	income related
Provincial industry and information special subsidy	130,551.48	130,551.49	Asset related
Social insurance subsidy	101,300.00	-	income related
Nanshan Industrial and Information Bureau subsidy for rental	100,000.00	-	income related
Overseas exhibition key support project	72,105.56	-	income related
Promoting of consumable product standard and quality	66,037.74	-	income related
Maternity insurance	56,449.40	100,789.68	income related
State level high and new technology certificate subsidy	50,000.00	30,000.00	income related
Short term export credit insurance	42,723.00	20,200.00	income related
Special subsidy to promoting consuming	-	1,655,200.00	income related
Subsidy to projects of economic development special fund	-	286,000.00	income related
Subsidy to support investment in R&D and domestic economic and trading exhibition	-	669,545.00	income related
Nanshan Economic Promoting Bureau subsidy for SME	-	100,000.00	income related
Expanding production and improving efficiency	-	300,000.00	income related
Promotion of human resource quality	-	100,000.00	income related
Subsidy to support innovation development for business and trading	-	712,664.00	income related
Shenzhen Standard Special Fund	-	543,000.00	income related
Shenzhen Science and Technology Award	-	300,000.00	income related
Examine intellectual property right using big data	-	500,000.00	income related
Basel watch fair subsidy	-	114,333.32	income related
Subsidy to support major enterprise to expanding production and improving efficiency	-	1,000,000.00	income related

Other subsidies	455,467.19	52,895.29	income related
Total	25,170,397.09	18,428,906.18	—

Note: Refer to Note V. 52 Government grant for detailed information.

41. Investment gain

Item	2020	2019
Gain from long-term equity investments accounted for using the equity method	5,072,577.64	1,787,907.10

42. Credit impairment loss ("-" for loss)

Item	2020	2019
Bad debt for bills receivable	-1,434,342.44	-217,182.73
Bad debt for accounts receivable	-6,626,580.06	-16,346,637.18
Bad debt for other receivables	-1,036,000.24	-77,141.16
Total	-9,096,922.74	-16,640,961.07

43. Asset impairment loss ("-" for loss)

Item	2020	2019
Inventory decline in value	-15,426,526.41	-4,295,134.48

44. Gains from assets disposal

Item	2020	2019
Gains from assets disposal ("-" for loss)	-369,857.30	-926,118.60

45. Non-operating income

Item	2020	2019	Amount included in non-recurring gains or losses in current period
Compensation	1,751,149.83	2,700,000.00	1,751,149.83
Payables cannot be paid	448,719.74	275,162.46	448,719.74
Others	911,544.07	1,778,942.84	911,544.07
Total	3,111,413.64	4,754,105.30	3,111,413.64

46. Non-operating expense

Item	2020	2019	Amount included in non-recurring gains or losses in current period
Fine	1,032.13	44,727.07	1,032.13

Donation	-	200,000.00	-
Liquidated damages	525,343.36	383,283.33	525,343.36
Others	1,028,737.37	772,178.47	1,028,737.37
Total	1,555,112.86	1,400,188.87	1,555,112.86

47. Corporate income tax

(1) Details of income expenses

Item	2020	2019
Current tax expense for the year based on tax law and regulations	74,701,341.52	42,132,064.04
Changes in deferred tax assets/liabilities	4,637,175.08	18,192,565.21
Total	79,338,516.60	60,324,629.25

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

Item	2020	2019
Profits before tax	373,460,618.84	276,233,643.40
Income tax calculated based on statutory tax rate	93,365,154.71	69,058,410.86
Effect of different tax rates applied by subsidiaries	-10,089,238.59	-4,251,519.66
Adjustment to income tax of previous years	966,634.19	965,521.61
Effect of gains or losses from joint ventures and associates accounted for using the equity method	-1,244,207.02	-385,693.68
Effect of non-taxable income (use "-" for presentation)	-	-
Effect of non-deductible costs, expenses and losses	863,320.48	1,178,297.49
Effect on opening balance of deferred tax due to changes in tax rate	-	-
Effect of using the deductible temporary differences or deductible losses for which no deferred tax asset was recognized in previous (use "-" for presentation)	-683,495.29	-
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized this year	-	174,634.92
Effect of research and development expenses super deduction (use "-" for presentation)	-3,839,651.88	-6,415,022.29
Others	-	-
Income tax expenses	79,338,516.60	60,324,629.25

48. Notes to cash flow statement

(1) Cash received from other operating activities

Item	2020	2019
Government grant	29,643,860.40	17,802,141.42
Promotion expenses	12,486,890.27	14,023,190.48
Security deposit	16,369,729.33	31,127,235.94
Interest income	4,941,334.19	1,956,316.52
Return of petty cash	5,503,961.77	3,817,075.69
Penalty	631,987.23	4,298,036.35
Legal action security	-	8,958,057.64
Others	8,424,049.26	11,850,325.81
Total	78,001,812.45	93,832,379.85

(2) Cash paid for other operating activities

Item	2020	2019
Current period expenses	433,410,006.32	478,806,783.39
Security deposit	13,371,641.24	4,393,654.88
Petty cash advanced to employee	8,618,216.90	734,763.81
Others	2,258,442.62	4,118,260.73
Total	457,658,307.08	488,053,462.81

(3) Cash paid for other financing activities

Item	2020	2019
Cash paid for re-purchase of shares	72,317,669.93	53,117,325.02

49. Supplement information to cash flow statement

(1) Supplement to cash flow statement

Item	2020	2019
1. Reconciliation of net profit/loss to cash flows from operating activities:		
Net profit	294,122,102.24	215,909,014.15
Add: Impairment for assets	15,426,526.41	4,295,134.48
Credit impairment loss	9,096,922.74	16,640,961.07
Depreciation of fixed assets, and investment property	42,147,350.05	44,206,119.17
Intangible asset amortization	8,011,446.67	6,897,790.40
Amortization of long-term deferred expenses	107,402,300.57	102,881,563.21
Loss on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gain)	369,857.30	926,118.60

Loss on scrap of fixed assets ("-" for gain)	-	-
Loss on changes of fair value ("-" for gain)	-	-
Financial expenses ("-" for income)	21,315,119.78	23,975,351.93
Investment loss ("-" for gain)	-5,072,577.64	-1,787,907.10
Decrease in deferred tax assets ("-" for increase)	2,825,583.02	16,936,322.72
Increase in deferred tax liabilities ("-" for decrease)	1,811,592.06	1,256,242.49
Decrease in inventories ("-" for increase)	-137,479,263.64	-30,808,922.70
Decrease in operating receivables ("-" for increase)	-137,884,765.44	-41,745,826.01
Increase in operating payables ("-" for decrease)	156,118,311.75	85,238,806.20
Others	-	-
Net cash flows from operating activities	378,210,505.87	444,820,768.61

2. Significant investment or financing activities not involving cash:

Debts converted to capital	-	-
Convertible debts mature within one year	-	-
Fixed assets acquired under finance leases	-	-

3. Net changes in cash and cash equivalents:

Cash at end of year	353,057,285.71	315,093,565.09
Less: cash at beginning of year	315,093,565.09	162,623,059.97
Plus: cash equivalents at end of year	-	-
Less: cash equivalents at beginning of year	-	-
Net increase in cash and cash equivalents	37,963,720.62	152,470,505.12

(2) Cash and cash equivalents

Item	31/12/2020	31/12/2019
I. Cash	353,057,285.71	315,093,565.09
Incl. Cash on hand	183,759.72	229,258.38
Bank deposit available for immediate payment	346,055,209.29	285,306,297.62
Other monetary funds available for immediate payment	6,818,316.70	29,558,009.09
II. Cash equivalents	-	-
Including Bond investment due in three months	-	-
III. Cash and cash equivalents at the end of year	353,057,285.71	315,093,565.09
Including Restricted cash and cash equivalents for the Company and its subsidiaries	3,412,028.94	3,641,389.51

50. Assets with restricted ownership or usage right

Item	Carrying amount as at 31 Dec 2020	Reason
Fixed assets	13,441,613.20	Mortgaged
Bills receivable	16,804,987.88	Factored
Total	30,246,601.08	—

51. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

Item	Balance denominated in foreign currency as at 31 Dec 2020	Exchange rate	Balance translated in RMB as at 31 Dec 2020
Cash and bank balances			
Including: HKD	19,526,414.16	0.8416	16,434,216.67
USD	3,191,547.66	6.5249	20,824,529.31
EUR	99,692.46	8.0250	800,031.99
CHF	426,309.51	7.4006	3,150,097.52
Accounts receivable			
Including: HKD	1,405,271.07	0.8416	1,182,676.13
USD	434,640.09	6.5249	2,835,983.12
EUR	104,833.90	8.0250	841,292.05
CHF	2,242,072.50	7.4006	16,592,681.74
Other receivables			
Including: HKD	146,580.92	0.8416	123,362.50
Short-term loans			
Including: CHF	401,295.41	7.4006	2,969,826.81
Accounts payable			
Including: HKD	2,134,375.70	0.8416	1,796,290.59
CHF	357,717.33	7.4006	2,647,322.87
Non-current liabilities due within one year			
Including: CHF	50,000.00	7.4006	370,030.00
Long-term loans			
Including: CHF	550,000.00	7.4006	4,070,330.00

(2) Overseas operational entity

For main business location and recording currency of important overseas operating entities, refer to Note III. 4.

52. Government grant

(1) Government grants recognized in deferred income, and subsequently measured using gross presentation method

Item	Type	As at 31/12/2019	Additions during the year	Recognition in profit and loss	Other changes	As at 31/12/2020	Income statement item that recognized in	Related to asset/income
Special fund for Shenzhen industrial design industry development (A)	State treasury	729,945.01	-	178,635.97	-	551,309.04	Other income	Asset related
Funding project for construction of National Enterprise Technology Center (B)	State treasury	1,218,274.51	-	293,147.06	-	925,127.45	Other income	Asset related
2017 Provincial Specialized Fund for Industrial and Information Technology (C)	State treasury	1,031,833.34	-	130,551.48	-	901,281.86	Other income	Income related
Special funds for consumer goods standards and quality improvement	State treasury	66,037.74	-	66,037.74	-	-	Other income	Income related
Others	State treasury	-	609,576.69	70,948.61	-	538,628.08	Other income	Income related
Total		3,046,090.60	609,576.69	739,320.86	-	2,916,346.43		

Note:

- A. Special fund for Shenzhen industrial design industry development was obtained according to the Shen Jingmao Xinxi Jishu Zi (2013) No. 227 - Operating Specification for Affirmation and Fund Plan of Shenzhen Industrial Design Center (Trial) which is jointly issued by Economy, Trade and Information Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality.
- B. Funding project for construction of Shenzhen Enterprise Technology Center was obtained according to the Notice for the 1st Supportive Project in 2015 of Funding Project for Construction of Shenzhen Enterprise Technology Center which was issued by Shenzhen Development and Reform Commission (Shen Jing Mao Xin Xi Yu[2015] No. 129).
- C. According to the Notice of Guangdong Provincial Economic and Information Technology Commission on Doing a Good Job of Applying for Provincial Special Projects in Production and Service Industry in 2017 (the Circular of the Ministry of Economic Affairs and Information Technology of Guangdong Province and Guangdong Provincial Department of Finance) Guangdong Letter of Manufacture [2016] No. 53), provincial 2017 special funds for industrial and information was obtained.

(2) Government grants recognized in profit and loss using gross method

Item	Type	Recognised in profit and loss for the year ended 31/12/2019	Recognised in profit and loss for the year ended 31/12/2020	Presentation item recognized in profit and loss	Related to asset/income
Special fund of Nanshan district to support self-innovation industry development(A)	State treasury	918,600.00	4,526,600.00	Other income	Income related
Subsidy for stabilizing job position	State treasury	209,468.63	3,743,398.00	Other income	Income related

Headquarters enterprise award(B)	State treasury	4,843,500.00	2,872,900.00	Other income	Income related
Special fund of Nanshan District Industrial and Information Bureau to support trading industry(C)	State treasury	-	2,592,300.00	Other income	Income related
Quality and Branding Promotion Subsidy for 2020 Technique Multiplication Subsidy Plan (D)	State treasury	-	2,400,000.00	Other income	Income related
Guangdong Provincial Science and Technology Innovation Strategy Fund(E)	State treasury	-	1,000,000.00	Other income	Income related
Subsidy to support sales promotion(F)	State treasury	-	1,000,000.00	Other income	Income related
2019 Shenzhen Standard Special Fund(G)	State treasury	-	979,160.00	Other income	Income related
Economic development special fund of Guangming District to support intellectual property right, standardization certification project(H)	State treasury	1,033,000.00	677,000.00	Other income	Income related
Training subsidy(I)	State treasury	-	611,500.00	Other income	Income related
Corporate Research and Development Funding(J)	State treasury	3,156,000.00	571,000.00	Other income	Income related
Plan to subsidy industrial internet development(K)	State treasury	-	520,000.00	Other income	Income related
Central government foreign trade development special fund(L)	State treasury	-	446,964.00	Other income	Income related
Commission on IIT payment	State treasury	469,005.01	370,789.08	Other income	Income related
R&D project subsidy(M)	State treasury	-	355,000.00	Other income	Income related
Special subsidy to Shenzhen intelligence property right area(N)	State treasury	-	300,000.00	Other income	Income related
2019 Nanshan District self-innovation industry development subsidy(O)	State treasury	-	209,500.00	Other income	Income related
Associate subsidy to China patent excellence award(P)	State treasury	300,000.00	200,000.00	Other income	Income related
Subsidy for SME to expanding market(Q)	State treasury	387,940.49	176,920.00	Other income	Income related
Social insurance subsidy(R)	State treasury	-	101,300.00	Other income	Income related
Nanshan Industrial and Information Bureau subsidy to lease(S)	State treasury	-	100,000.00	Other income	Income related
Overseas exhibition key support project(T)	State treasury	-	72,105.56	Other income	Income related
Maternity insurance	State treasury	100,789.68	56,449.40	Other income	Income related
State level high and new technology certificate subsidy(U)	State treasury	30,000.00	50,000.00	Other income	Income related
Short term export credit insurance(V)	State treasury	20,200.00	42,723.00	Other income	Income related
Special subsidy to promoting consumption	State treasury	1,655,200.00	-	Other income	Income related
Subsidy to projects of	State treasury	286,000.00	-	Other income	Income related

economic development special fund Subsidy to support investment in R&D and domestic economic and trading exhibition	State treasury	669,545.00	-	Other income	Income related
Nanshan Economic Promoting Bureau subsidy for SME	State treasury	100,000.00	-	Other income	Income related
Expanding production and improving efficiency	State treasury	300,000.00	-	Other income	Income related
Promotion of human resource quality	State treasury	100,000.00	-	Other income	Income related
Subsidy to support innovation development for business and trading	State treasury	712,664.00	-	Other income	Income related
Shenzhen Standard Special Fund	State treasury	543,000.00	-	Other income	Income related
Shenzhen Science and Technology Award	State treasury	300,000.00	-	Other income	Income related
Examine intellectual property right using big data	State treasury	500,000.00	-	Other income	Income related
Basel watch fair subsidy	State treasury	114,333.32	-	Other income	Income related
Subsidy to support major enterprise to expanding production and improving efficiency	State treasury	1,000,000.00	-	Other income	Income related
Special fund for Shenzhen industrial design industry development	State treasury	203,066.21	178,635.97	Other income	Asset related
Funding project for construction of National Enterprise Technology Center	State treasury	293,147.06	293,147.06	Other income	Asset related
2017 Provincial Specialized Fund for Industrial and Information Technology	State treasury	130,551.49	130,551.48	Other income	Income related
Special funds for consumer goods standards and quality improvement	State treasury	-	66,037.74	Other income	Income related
Other subsidies	State treasury	52,895.29	526,415.80	Other income	Income related
Total	—	18,428,906.18	25,170,397.09	—	—

Note:

- A. It is based on Shenzhen Nanshan District People's Government Office on the issuance of the "Nanshan District Independent Innovation Industry Development Special Fund Management Measures" (Shennan Fuban (2019) No. 2) and the "Nanshan District Independent Innovation Industry Development Special Fund-Economic Development Sub-item Funding Implementation Rules (for Trial Implementation)", the Group received 2019 Nanshan District Innovation Carrier Support Technology Project Special Funding, Nanshan District Enterprise R&D Investment Support Program Project Funding, Commercial Circulation Enterprise Funding Project Subsidy Funds, and Steady Growth of the Retail Industry Funding and special funding for Nanshan District's independent project of excellence and rating (national design center), etc.
- B. It is the award granted by Development and Reform Commission of Shenzhen Municipality according to "Encourage Headquarters Enterprise Development" (Shen Fu Gui (2017) No. 7).
- C. It is subsidy to support commerce industry received from Shenzhen Nanshan Industrial and Information Bureau according to "Operating Guideline to Subsidise Projects of Nanshan District Self-innovation Industrial Development Special Fund".
- D. It is 2020 technique improvement special fund to award quality and branding promotion according to "Operating Guideline of

Shenzhen Technique Improvement Special Project" (Shen Gongxin Gui (2019) No. 3.

- E. It is 2020 provincial science and technology innovation strategy project fund obtained according to "Notice of Department of Science and Technology of Guangdong Province Regarding Circulating Guideline of 2020-2021 Science and Technology Cooperation Platform"
- F. It is award of promoting consuming received according to "Various Measures to Promoting Growth of Consuming" (Shen Fu Han (2018) No. 392.
- G. It is special fund award received from Shenzhen standard area 2019 according to "Operating Guideline of Shenzhen Standard Area Special Fund Award of Shenzhen Municipal Market Supervision and Management Bureau" (Shen Shi Jian Gui (2019) No. 2).
- H. It is based on the "Guangming District Economic Development Special Fund Management Measures" (Shenguang Fugui [2019] No. 14), "Shenzhen Guangming District Intellectual Property, Standardization, Measurement Certification, Quality Support Operating Regulations" (Shenzhen Jianguang [2020] No. 122) and "Notice of Guangming Supervision Bureau of Shenzhen Municipal Market Supervision Administration on Printing and Distributing "Guidelines for Application of Special Funds for Economic Development of Shenzhen Municipal Market Supervision Bureau Guangming Supervision Bureau in Support of Intellectual Property, Standardization, and Measurement Certification Projects>" (Shenzhen City Supervision Bureau) Guang [2019] No. 160) and other documents stipulate that the Group received special support funds for economic development, the Guangdong Industry Fair exhibition subsidy funds, the Guangxi Fair subsidy funds, the national high-certified enterprise subsidies, and the Swiss Basel World participation in the Guangming District enterprise qualification awards, etc. .
- I. It is based on the "Notice of the Guangdong Provincial Department of Human Resources and Social Security and the Guangdong Provincial Department of Finance on Doing a Good Job in Training Vocational Training Work" (Yue Ren She Gui [2020] No. 38) and the "Resolution To do a good job in the relevant provisions of the "Notice on Vocational Training Work for Workers", the 6th batch of vocational skills promotion (for worker training) subsidies in Nanshan District in 2020 has been obtained..
- J. It is obtained according to "Measures to Promoting Science Innovation" (Shen fa (2016) No.7) and "Management Measures of Shenzhen Science and Technology Research and Development Fund" issued by Shenzhen Finance Committee and Shenzhen Science and Technology Innovation Committee.
- K. It is subsidy received according to "Notice of Circulating Shenzhen Industrial Internet Development Action Plan (2018-2020) and Associated Measures" (Shen Fu Ban Gui (2018) No. 7.
- L. It is foreign trade development special fund received according to "Notice of Key Work of 2019 Foreign Trade Development Special Fund" (Cai Xing (2019) No. 137.
- M. It is obtained according to "Measures to Administrate Shenzhen R&D Funded Project and Hi-Tech Enterprise Foster Project" issued by Shenzhen Science and Technology Innovation Committee.
- N. It is China Patent Award and award to State Intellectual Property Right Advantage Enterprise obtained according to "Shenzhen Municipal Treasury Special Fund Administration Measures" (Shen fu Gui (2018) No. 2), "Shenzhen Municipal Market Supervision and Administration Special Fund Administration Measures" (Shen Shi Jian Gui (2020) No. 3, and "Shenzhen Municipal Market Supervision and Administration Special Fund to Intellectual Property Right Area" (Shen Shi JianGui (2019) No. 10.
- O. It is 2019 Nanshan patent supporting special fund received according to "Administration Measures to Nanshan Self-innovation Industrial Development Special Fund" (Shennan Fuban Gui (2019) No. 2 and "Implementation Details of Nanshan Self-innovation Industrial Development Special Fund".
- P. It is associated patent award obtained from Shenzhen Market Supervision and Administration Bureau according to the "Decision on the Award of the 20th China Patent Award" issued by the State Intellectual Property Office (Guo Zhi Fa Guan Zi [2018] No. 36).
- Q. It is 2020 domestic market expanding subsidy fund received according to "Administration Measures to Shenzhen Private and SME Development Special Fund" (Shen Jingmao Xinxi Gui (2017) No. 8) and "Operating Guideline to Supporting Plan of Shenzhen Private and SME" (Shen Gongxin Gui (2019) No. 13.
- R. It is social insurance subsidy received according to "Notice of Application of Implementing Supporting Enterprise and Stabalizing Job Positions 'Four Increase' Enterprise Social Insurance".

- S. It is rental subsidy received according to “Notice of Circulating Supporting Measures to Jointly Go Through COVID-19 Pandemic”.
- T. It is subsidy received to support 2019 Swiss Basel World Watch and Jewelry Exhibition according to “Various Measure to Support Enterprise to Improve Competitive Strength” (Shen Fa (2016) No. 8, “Notice of Circulating Measures to Stabilize Foreign Trade, Adjusting Structure and Improve Quality” (Shen Fu (2017) No. 63).
- U. It is award for obtaining High and New Technology Certificate according to “Administration Measures to Subsidy Shenzhen R&D Funded Project and Hi-Tech Enterprise Foster Project” (Shen Keji Chuangxin Gui (2019) No.5 and “Notice of Distributing 2019 State Hi- and New Technology Certification Fund”.
- V. It is short-term export insurance subsidy received according to “Shenzhen Foreign Trade Improving and Structure Adjusting Measures” (Shen Fu (2017 No. 63).

(3) Government grant presented using net method

Item	Type	Amount in prior period	Amount in current period	Offset item	Asset/income related
Subsidized interest (A)	State treasury	-	4,603,207.48	Finance expense	Income related
Subsidy to electricity fee (B)	State treasury	865,721.20	860,524.00	Administration expenses	Income related
Total	—	865,721.20	5,463,731.48	—	—

Note:

- A. It is subsidized interest received according to the following notices: “Notice of Circulating ‘Implementation Measures of Subsidizing Interest to SME and Micro Enterprise Loan to Addressing COVID-19 Pandemic” (Shen Gongxin Gui (2020) No. 3; “Notice of Circulating Supporting Measures to Jointly Go Through COVID-19 Pandemic”, “Notice of Distributing the Fourth Batch of Subsidized Interest to SME and Micro Enterprises to Address COVID-19 Pandemic” etc...
- B. It is electricity fee concession enjoyed according to “Interim Measure to Reduce Cost of Commercial Use of Electricity of Shenzhen” (Shen Jingmao Xinxi Zi (2018) No. 12).

VI. Changes to the scope of consolidation

In 2020, there was no changes to the scope of consolidation.

VII. Interests in other entities

1. Equity in subsidiary

Name of subsidiary	Main business location	Place of registration	Nature of business	Shareholding ratio%		Ways acquired
				Direct	Indirect	
HARMONY Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
Precision Technology Company	Shenzhen	Shenzhen	Manufacture	99.00	1.00	Establishment or investment
FIYTA Hong Kong	Hong Kong	Hong Kong	Commerce	100.00	-	Establishment or investment
Station 68	Hong Kong	Hong Kong	Commerce	-	60.00	Establishment or investment
E-commerce Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
Technology Company	Shenzhen	Shenzhen	Manufacture	100.00	-	Establishment or investment
TEMPORAL Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment

Emile Choureit Shenzhen Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
FIYTA Sales Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
Hengdarui Company	Shenyang	Shenyang	Commerce	100.00	-	Business combination under common control
Swiss Company	Switzerland	Switzerland	Commerce	-	100.00	Business combination not under common control

2. Equity in joint arrangement or associates

(1) Significant associates

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

(2) Principal financial information of significant associate company:

Item	As at 31/12/2020	As at 31/12/2019
Current assets	142,137,359.85	117,096,911.21
Non-current assets	13,783,021.02	13,556,720.58
Total assets	155,920,380.87	130,653,631.79
Current liabilities	35,999,813.24	22,661,506.61
Non-current liabilities	-	7,978,869.84
Total liabilities	35,999,813.24	30,640,376.45
Net assets	119,920,567.63	100,013,255.34
Including: minority shareholder's interest	-	-
Owners' equity attributable to parent company	119,920,567.63	100,013,255.34
Portion of net asset calculated based on shareholding	29,980,141.91	25,003,313.84
Adjustment matters		
- Goodwill	-	-
- Unrealized profit or losses from internal transaction	-	-
- impairment provisions	-	-
- Others	-	-
Carrying value of investment to associates	51,400,665.92	46,423,837.85
Fair value of equity investment that has public quotation	-	-

Continued:

Item	2020	2019
Operating income	96,146,565.15	101,660,357.29
Net profit	19,907,312.29	6,171,098.80
Net profit from discontinued operation	-	-
Other comprehensive income	-	-
Total comprehensive income	19,907,312.29	6,171,098.80
Dividends received from associated company during the year	-	-

VIII. Risk management to financial instrument

Main financial instruments of the Group include cash at bank and in hand, bills receivable, accounts receivable, other receivables, other current assets, other equity instruments investment, bills payable, accounts payable, other payables, short-term loans, non-current liabilities due within one year and long-term loans. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The management of the Group manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The goal of risk management is to keep proper balance between risk and profit, to reduce negative influence of financial risk to financial performance of the Group to the minimum and maximize the benefit of shareholders and other equity investors. Based on the goal, the fundamental risk management policies of the Group are to identify and analyse risks the Group faces, set proper acceptable risk level to manage risk, supervise various risk reliably and timely and control risk within limited range. The Group reviews the risk management policy and relevant internal control system to adapt to the changes of market or operations regularly. The Group's internal audit department also regularly or randomly performs tests to check whether the operations of internal control system in accordance with the risk management policy.

Risks associated with the financial instrument mainly include credit risk, liquidity risk, market risk (including exchange rate risk, interest rate risk and commodity price risk).

The board of director is responsible to plan and establish the Group's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Group has already made risk management risks to identify and analyse risks that the Group face. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Group regularly assesses market environment and the operation changes to determine if to make alteration to risk management policy and systems. The Group's risk management is implemented by Risk Management Committee according to the approval of the board of directors. Risk Management Committee work closely with other business department of the Group to identify,

evaluating and avoiding certain risks. The Group's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Group.

The Group spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risks

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty.

The Group manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, and other receivables.

The Group's bank deposit mainly deposits in banks with good reputation and with higher credit rating. The Group anticipated that the bank deposit does not have significant credit risk.

For bill receivable, accounts receivables and other receivables, the Group set related policies to control exposure of credit risks. The Group evaluate client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Group keep monitor the client's credit record and for client with deteriorate credit records, the Group will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

The Group's debtor spread over different industry and area. The Group continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Group is the carrying amount of each financial assets in the balance sheet. The Group also faces credit risks because of providing financial guarantee. Refer to Note XII. 2 for details.

The amount of top 5 accounts receivable of the Group accounted for 31.28% (2019: 25.39%) of the Group's total accounts receivables. The amount of top 5 other receivable of the Group accounted for 34.96% (2019: 40.94%) of the Group's total other receivables.

(2) Liquidity risk

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

Regarding to the management of liquidity risk, the subsidiaries of the Group are responsible for cash flow forecast. The Group's finance center monitors cash and cash equivalents to meet operational needs at group level based on subsidiaries' cash forecast. The Group set up cash pool with major banks to arrange the Group's cash and ensure that each subsidiary has sufficient cash reserve to fulfil payment liability. Besides, the Group also signed facility agreement with banks to support the Group to fulfil liabilities fall due.

Operating cash were generated from daily operation and bank loan. As of 31 December 2020, the Group's unused bank loan credit is RMB1,104.43million (2019: 1,970.39 million)

As at the period end, the financial liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

Item	As at 31/12/2020				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Financial liabilities:					
Short-term loans	55,023.98	-	-	-	55,023.98
Bills payable	358.14	-	-	-	358.14
Accounts payable	30,121.15	-	-	-	30,121.15
Other payables	12,693.81	-	163.95	-	12,857.76
Non-current liabilities due in one year	38.11	-	-	-	38.11
Long-term loans	13.33	419.24	-	-	432.57
Total financial liabilities	98,248.52	419.24	163.95	-	98,831.71

As at the beginning of the period, the financial liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

Item	As at 31/12/2019				
	Within 1 year	1-2 years	2-3 years	Over 3 years	Total
Financial liabilities:					
Short-term loans	57,945.57	-	-	-	57,945.57
Accounts payable	27,977.28	-	-	-	27,977.28
Other payables	11,876.85	-	-	84.82	11,961.67
Non-current liabilities due in one year	37.09	-	-	-	37.09
Long-term loans	12.97	11.89	441.62	-	466.48
Total financial liabilities	97,849.76	11.89	441.62	84.82	98,388.09

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items.

(3) Market risk

Market risk includes interest rate risk and currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price.

Interest risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

The Group's interest rate risk arises from borrowings and interest-bearing liabilities. Financial liabilities issued at floating rate expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions

and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitors.

The Group's finance department continuously monitors the interest rate position of the Group. The Group did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Group's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Group are as follows (in ten thousand RMB):

Item	2020	2019
Fixed interest rate		
Financial liabilities		
Including: short term loans	27,539.02	48,710.37
Long term loans	444.04	468.18
Subtotal	27,983.06	49,178.55
Floating interest rate:		
Financial liabilities		
Including: short term loans	25,000.00	8,000.00
Total	52,983.06	57,178.55

As at 31 December 2020, 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 Group's net profit and shareholder's equity for the year will decrease or increase by approximately RMB1,250,000.00 (2019: RMB 400,000.00).

The financial instruments held by the Group at the reporting date expose the Group to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the reporting date expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for last year.

Exchange rate risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's exchange risk mainly are financial position and cash flow that are affected by foreign exchange fluctuation. The Group's major operational activities are carried out in the PRC except for Swiss Company which held currency of CHF and Hong Kong

Company which uses HKD for settlement. But risks also exist for the Group's asset and liability denominated in foreign currency and future foreign exchange transaction.

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and translated to RMB as at 31 December 2020 are as follows (in RMB ten thousands):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
USD	-	-	2,366.05	4,601.89
HKD	179.63	1,939.47	1,774.03	1,072.77
CHF	1,005.75	1,700.89	1,974.28	3,497.65
EUR	-	-	164.13	359.81
Total	1,185.38	3,640.36	6,278.49	9,532.12

The Group closely monitors the impact of exchange rate changes on the Group's foreign exchange risk. The Group has not taken any measures to avoid foreign exchange risks. But the management is responsible for monitor risk of exchange and, if necessary, taking action to hedge material exchange risk.

As at 31 December 2020, for cash balances and bank loans that denominated in foreign currency, if Renminbi appreciate or depreciate of 5% to foreign currency (mainly USD, HKD and CHF) and other factors remain unchanged, the shareholder's equity and net profit will increase or decrease about RMB -2.55 million (31 Dec 2019:RMB -2.95 million).

2. Capital management

The objective of the Group's capital risk management is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total asset. As at 31 December 20120, the Group's gearing ratio is 30.33% (31 December 2019: 29.42%).

IX. Fair value

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities.

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities.

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1. Fair value of assets and liabilities measured at fair value

As at 31 December 2020, assets and liabilities measured at fair value are shown as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I.Recurring fair value measurement				
(I) other equity instrument investment	-	-	85,000.00	85,000.00

There have been no transfers between level 1 and level 2 and no transfer into or out of Level 3 during the year ended 31 December 2020.

2. Fair values of assets and liabilities not measured at fair value

Financial assets and financial liabilities measured at amortized cost include: cash at bank and on hand, bills receivable, accounts receivable, other receivables, short-term loans, accounts payable, other payables, long-term loans due within one year, and long-term loans.

The difference between fair value and carrying amount of the above financial assets and liabilities that measured at cost is insignificant.

X. 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%
China National Aviation Group	Shenzhen	Investment in industries, domestic trade, material supply and distribution	116,616.20	38.07	38.07

Note: China National Aviation Group is a subsidiary that 100% held, indirectly, by China Aero Space International Holdings Limited (CASI), and China Aviation Industry Corporation (AVIC) directly holds 91.13% (ultimate beneficiary shares 91.897%) of the equity of CASI. Therefore, the ultimate controlling party of the Company is AVIC.

2. Subsidiaries

Details of subsidiaries refer to Note VII. 1.

3. Joint venture and association

Details of joint ventures and associates refer to Note VII. 2.

4. Other related parties

Name	Relationship with the Group
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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
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
Shenzhen CATIC City Real Estate Development Co., Ltd. (CATIC City Real Estate Company)	Controlled by the same party
Shenzhen CATIC Huacheng Real Estate Development Co, Ltd (CATIC Huacheng 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
Xi'an Skytel Hotel Co., Ltd. (Skytel Hotel)	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
Shenzhen CATIC Grand Skylight Hotel Co., Ltd (Grand Skylight Hotel)	Controlled by the same party
Gongqingcheng CATIC Culture Investment Co., Ltd (Gongqingcheng CATIC Culture Investment Company)	Controlled by the same party
Company directors, managers, CFO, and secretary of the board	Key management member

5. Related party transactions

(1) Related purchase and sales

① Purchase good and receiving service

Related party	Nature of transaction	2020	2019
CATIC Property Management	Property management	11,112,069.09	11,480,515.57
Rainbow Company	Department store expenses/ Commodity purchase	4,841,752.49	5,327,244.54
AVIC Training Center	Training fee	150,000.00	159,408.67
Ganzhou 9 Square Company	Department store expense	182,754.97	185,711.09
CATIC City Estate (Kunshan) Company	Department store expense	50,277.87	39,921.62
Jiufang Business Management	Department store expense	84,262.98	54,731.80
AVIC	Purchase of goods	-	415,077.98
AVIC Information Center	Training expenses	-	1,603.77
Shanghai Watch	Purchase of goods	-	6,048.24
Tianma	Purchase of goods	538,699.11	969,091.14
CATIC Building Company	Renovation	114,002.02	17,390.67
Skytel Hotel	Maintenance and management fee	-	28,886.00
CATIC City Real Estate Company	Department store expense	-	76,275.91
CATIC Shenzhen Company	Purchase of goods	451,327.43	-
AVIC Nanguang Company	Elevator maintenance	245,660.40	-

Note:

(1) The pricing strategy for Group's related transaction are based on market price.

(2) VAT tax is excluded in the amount listed above.

② sale of goods and providing services

Related party	Nature of transaction	2020	2019
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Rainbow Company	Product and service	75,021,802.86	73,641,080.14
Grand Skylight Hotel Management Company	Sale of product	17,610.62	-
Ganzhou 9 Square Company	Product and service	-	93,750.40
Shennan Circuit	Sale of material and providing service	13,308,898.52	10,573,861.17
Gongqingcheng CATIC Investment Company	Culture Sale of product	398,249.10	-
CASI	Sale of product	87,484.05	-
CATIC Property Management	Share of Utilities and management fee	3,406,116.73	12,506,097.43
Grand Skylight Hotel	Sale of product	-	140,867.25
Shanghai Watch	Sale of product	1,839,880.53	4,821,299.97
AVIC Training Center	Others	2,180.53	3,270.80
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	-
Jiujiang 9 Square Business Management	Sale of product	45,374.42	-

Note:

(1) The pricing strategy for Group's related transaction are based on market price.

(2) VAT tax is excluded in the amount list above.

(2) Related party lease

①The Company as a lessor

Lessee	Type of leased assets	Recognized rental income in current year	Recognized rental income in prior year
CATIC Property Management	Property	6,864,598.93	3,972,425.13
China Merchants Property OS	Property	1,981,713.13	1,887,345.86
Skytel Hotel	Property	-	2,793,650.79
CATIC City Investment)	Property	285,138.58	271,560.56
AVIC Securities Company	Property	1,328,714.31	1,280,028.55

CATIC City Real Estate Company	Property	-	304,781.46
Rainbow Company	Property	1,428,372.22	684,393.11
CATIC Huacheng Company	Property	-	239,471.14
CATIC 9 Square Asset Mgmt Company	Property	1,829,906.11	2,023,126.13
AVIC Security Service	Property	902,359.45	1,438,139.41
CATIC Guanlan Property	Property	142,569.29	135,780.28
CATIC Property	Property	286,326.66	272,692.07

Note:

(1) The pricing strategy for Group's related transaction are based on market price.

(2) VAT tax is excluded in the amount list above.

②The 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	913,674.48	894,582.84
Kunshan Company	Property	111,047.63	132,960.04
Jiufang Business Management	Property	431,504.72	320,208.22
CATIC City Real Estate Company	Property	-	285,668.33

Note:

(1) The pricing strategy for Group's related transaction are based on market price.

(2) VAT tax is excluded in the amount listed above.

(3) Related party funds lending

Related Party	Amount	starting date	Expiring date	Note
Borrowing from:				
AVIC Finance Company	50,000,000.00	2019-3-26	2020-3-26	
AVIC Finance Company	50,000,000.00	2020-3-26	2020-6-23	
AVIC Finance Company	100,000,000.00	2019-4-2	2020-4-1	
AVIC Finance Company	100,000,000.00	2020-4-1	2020-12-28	
AVIC Finance Company	60,000,000.00	2019-10-25	2020-6-9	
AVIC Finance Company	50,000,000.00	2019-3-26	2020-3-26	

Note: The Company paid interest to AVIC Finance Company amounted to RMB 6,103,594.45 during the year.

(4) Remuneration to key management

The Company has 19 key management personnel in 2020, and 21 (including resigned) key management personnel in 2019.

Information about remuneration is as follows:

Item	2020	2019
Remuneration to key management	17,150,200.00	17,845,000.00

(5) Other related party transactions

The year-end balance of the Company's cash that is deposited with AVIC Finance Company is RMB283,532,347.79. Interests received from the deposit during the year were RMB797,100.79.

6. Receivables from and payables to related parties

(1) Receivables

Item	Related party	As at 31/12/2020		As at 31/12/2019	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bills receivable					
	Shennan Circuit	5,083,025.01	-	2,263,719.32	
	Shanxi Bocheng	50,000.00	2,500.00	-	-
Accounts receivable					
	Rainbow Company	9,489,446.66	285,632.34	6,387,871.47	318,754.79
	Shennan Circuit	1,370,425.31	41,249.80	1,704,634.58	85,061.27
	Gongqingcheng CATIC Culture Investment Company	58,834.76	-	-	-
	CATIC Property Management	40,947.74	-	-	-
	Shanghai Watch	-	-	140,000.00	6,986.00
	Harbin Aircraft	20,130.00	605.91	-	-
	AVIC Security Service	0.27	0.01	-	-
Other receivable					
	Rainbow Company	1,064,073.00	45,648.73	975,867.00	50,647.50
	Ganzhou 9 Square Company	189,432.77	8,126.67	122,665.60	6,366.34
	Kunshan Company	40,000.00	1,716.00	32,000.00	1,660.80
	Gongqingcheng CATIC Culture Investment Company	7,462.00	320.12	-	-
	Jiufang Business Management	50,000.00	2,145.00	50,000.00	2,595.00
	China National Aviation Group	11,101.80	476.27	11,101.80	576.18
	CATIC City Real Estate Company	-	-	59,923.00	3,110.00
	AVIC Training Center	2,464.00	74.17	-	-
Prepayment					

Tianma		-	-	31,309.90	-
(2) Payables to related parties					
Item	Related party	As at 31/12/2020		As at 31/12/2019	
Accounts payable:					
	CATIC Building Company	-		23,300.97	
	Tianma	-		3,415.84	
Other payables:	CATIC Property Management	1,717,018.14		1,237,403.65	
	China Merchants Property OS	442,407.92		442,407.92	
	CATIC City Investment	309,732.00		309,732.00	
	AVIC Securities Company	238,560.00		213,000.00	
	CATIC Building Company	47,732.93		54,691.44	
	CATIC City Real Estate Company	-		99,052.32	
	CATIC Huacheng Company	-		73,819.68	
	CATIC Jiufang Asset Mgmt Company	-		378,483.84	
	Rainbow Company	257,490.98		155,672.90	
	CATIC Property	51,014.88		51,014.88	
	CATIC Guanlan Property	25,401.60		25,401.60	
	AVIC Security Service	226,603.44		226,603.44	
	Skytel Hotel	-		28,886.00	
	CATIC Nanguang	25,179.84		-	
Advances from customer	AVIC Huadong Photoelectric	10,500.00		-	

XI. Share-based payments

1. General information about share-based payments

General information about share-based payments	-
General information about share-based payments	-
Total equity instruments voided in current period	-
Scope of outstanding share option exercise price and remaining contract term	First phase restricted share exercise price: RMB4.4/share. The remaining of restricted 4.077 million shares will be unlocked by 33.33% each in January 2021, January 2022 and January 2023.
Scope of outstanding other equity instrument exercise price and remaining contract term.	Not applicable

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	10,011,227.40
Total expenses for equity settled share-based payment recognized in current period	5,570,601.49

XII. Commitment and contingencies

1. Significant commitments

(1) Operating lease commitments

As at the balance sheet date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

The total future minimum lease payments under non-cancellable operating leases	As at 31/12/2020	As at 31/12/2019
Within 1 year	81,612,695.21	69,420,770.36
1-2 years	37,104,794.98	40,749,688.35
2-3 years	16,579,529.38	15,620,420.28
After 3 years	3,567,104.00	11,333,148.34
Total	138,864,123.57	137,124,027.33

(2) Other commitments

As at 31 December 2020, the Group does not have other commitments that required to disclose.

2. Contingencies

(1) Contingent liabilities arising from guarantee provided to other entities and related financial effects.

As at 31 December 2020, the intra-Group guarantees is as followings (in RMB Ten thousands):

Guarantee	Guarantor	Guaranteed matter	Credit line granted	Period of credit line granted	Credit line used	Period of guarantee
FIYTA Hong Kong	The Company	Loan	3,366.56	From 2020-5-31 to 2022-5-31	296.02	From 2020-5-31 to 2022-5-31
HARMONY Company	The Company	Loan	5,000.00	From 2020-4-20 to 2021-4-20	4,000.00	3 years after the day that contracted liability is fulfilled.
HARMONY Company	The Company	Guarantee letter	5,000.00	From 2020-9-23 to 2021-12-22	5,000.00	From 2020-10-1 to 2021-12-31
HARMONY Company	The Company	Single Guarantee letter	—	—	10,000.00	From 2020-12-30 to 2021-12-29
Sales Company	The Company	Loan	5,000.00	From 2020-4-23 to 2021-4-23	5,000.00	3 years after the day that contracted liability

Technology Company	The Company	Loan	3,000.00	From 2020-4-28 to 2021-4-20	243.00	is fulfilled.
Technology Company	The Company	Bill discounted	—	—	423.38	2 years after the day that contracted liability is fulfilled.
Technology Company	The Company	Bill discounted	—	—	887.33	From 2020-10-15 to 2021-2-25
Precision Technology Company	The Company	Loan	3,000.00	From 2020-4-23 to 2021-4-23	3,000.00	From 2020-10-15 to 2021-5-31
						2 years after the day that contracted liability is fulfilled.
Total	—	—	24,366.56	—	28,849.73	—

(2) Other contingent liabilities

As at 31 December 2020, the Group does not have other contingent liabilities that required to disclose.

XIII. Post balance sheet date events

1. Profit appropriations after the balance sheet date

Profit distributions or dividends proposed	Cash dividend of RMB4.00 (tax inclusive) for every 10 shares held
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2. Other events after the balance sheet date

(1) A-share Restricted Share Incentive Plan

Pursuant to the approval of the first extraordinary general meeting of 2021 and the 23th meeting of the 9th board of directors, the Company intends to grant 8,770,000 A-share restricted shares to 149 incentive individuals at a price of RMB7.60 per share. As of 15 January 2021 (grant date), the actual number of individual received the grant was 135, and a total of 7,660,000 restricted stocks were granted. The total amount of subscriptions received from incentive individuals was RMB58,216,000.00, of which RMB7,660,000.00 increased share capital and RMB50,556,000.00 was included in capital reserve (share premium).

The incentive program is valid for 5 years (60 months), including a lock-up period of 2 years (24 months) and an unlock period of 3 years (36 months).

(2) Repurchase of shares

Pursuant to "The Resolution of Plan of Re-purchase B Shares" which was approved on the 19th meeting of the 9th Board of Directors on 6 July 2020 and the 2nd extraordinary shareholder's meeting of 2020 on 23 July 2020, the Company repurchased B Shares in total of 8,994,086 shares as of 8 March 2021, accounted for 2.06% of the Company's total shares. Total consideration paid was HKD 58,207,259.00 (excluding stamp duty and commission).

(3) Financing and guarantee after the balance sheet date

① On 8 March 2021, pursuant to approval by the 27th meeting the 9th 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. The resolution is pending for approval by the shareholder's meeting.

② On 8 March 2021, pursuant to approval by the 27th meeting the 9th Board of directors, the Company proposed to provide

guarantee for the Company's wholly-owned subsidiary to borrow from banks of no more than RMB800 million. 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.

(4) De-registration of subsidiary

On 5 March 2021, the Company received the de-registration notice of Station 68 from Hong Kong Companies Registry. Station 68 cancelled its registration.

(5) Others

As at 8 March 2021, the Company does not have other post-balance sheet events that require to disclose.

XIV. Other Significant matters

As at 8 March 2021, the Company does not have other significant matters that require to disclose.

XV. Notes to the Company's financial statements

1. Accounts receivable

(1) Presented by ageing

Ageing	As at 31/12/2020	As at 31/12/2019
Within 1 year	1,633,186.27	2,997,921.46
Over 1 year	143,415.84	-
Subtotal	1,776,602.11	2,997,921.46
Less: bad debt provision	311,803.32	149,896.07
Total	1,464,798.79	2,848,025.39

(2) Presentation by method of providing bad debt

Category	As at 31/12/2020				Carrying amount
	Book value		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Individually significant and assessed for impairment individually	-	-	-	-	-
Collectively assessed for impairment based on credit risk characteristics	1,776,602.11	100.00	311,803.32	17.55	1,464,798.79
Receivables from related parties within scope of consolidation	-	-	-	-	-
Receivables from other customers	1,776,602.11	100.00	311,803.32	17.55	1,464,798.79
Total	1,776,602.11	100.00	311,803.32	17.55	1,464,798.79

(continued)

Category	As at 31/12/2019			
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	Book value		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	ECL rate (%)	
Individually significant and assessed for impairment individually	-	-	-	-	-
Collectively assessed for impairment based on credit risk characteristics	2,997,921.46	100.00	149,896.07	5.00	2,848,025.39
Receivables from related parties within scope of consolidation	-	-	-	-	-
Receivables from other customers	2,997,921.46	100.00	149,896.07	5.00	2,848,025.39
Total	2,997,921.46	100.00	149,896.07	5.00	2,848,025.39

Bad debt provision based on groups

Group: Receivables from other customers

Item	As at 31/12/2020		
	Accounts receivable	Bad debt provision	ECL rate (%)
Within 1 year	1,633,186.27	168,387.48	10.31
Over 1 year	143,415.84	143,415.84	100.00
Total	1,776,602.11	311,803.32	17.55

(3) Accrual, recovery or reversals of provision during the year:

Item	Bad debt provision
As at 31/12/2019	149,896.07
Adjustment amount for initial adoption of new revenue standards	-
2020.01.01	149,896.07
Accrual	161,907.25
Reversal	-
Written-off	-
As at 31/12/2020	311,803.32

(4) There were no receivables that are written-off during the period.

(5) Top five accounts receivable are analyzed as follows:

The total amount of receivables from top five accounts amounts to RMB1,253,596.04, accounted for 70.55% of total balance of accounts receivable as of year end. Corresponding bad debt provision accrued is RMB251,032.07.

2. Other receivables

Item	As at 31/12/2020	As at 31/12/2019
Interest receivable	-	-
Dividends receivable	-	-
Other receivables	621,512,680.69	783,647,732.22
Total	621,512,680.69	783,647,732.22

(1) Other receivables

① Presented by ageing

Ageing	As at 31/12/2020	As at 31/12/2019
Within 1 year	621,369,363.48	673,518,552.61
1-2 years	177,475.90	109,992,510.47
2-3 years	11,697.43	186,180.00
Over 3 years	40,050.00	40,050.00
Subtotal	621,598,586.81	783,737,293.08
Less: bad debt provision	85,906.12	89,560.86
Total	621,512,680.69	783,647,732.22

② Presented by nature

Item	As at 31/12/2020			As at 31/12/2019		
	Book value	Provision	Carrying amount	Book value	Provision	Carrying amount
Related party balance	620,792,324.27	-	620,792,324.27	783,005,800.85	-	783,005,800.85
Security deposit	217,525.90	45,116.69	172,409.21	235,761.90	76,355.60	159,406.30
Social security payment on-behalf	392,074.21	-	392,074.21	242,726.90	-	242,726.90
Others	196,662.43	40,789.43	155,873.00	253,003.43	13,205.26	239,798.17
Total	621,598,586.81	85,906.12	621,512,680.69	783,737,293.08	89,560.86	783,647,732.22

③ Status of bad debt provision

Bad debt provision at the first stage as of period end:

Category	Book value	ECL rate in next 12 month (%)	Bad debt Provision	Carrying amount	Note
Individually significant and assessed for impairment individually	-	-	-	-	
Collectively assessed for impairment based on credit risk characteristics					
Petty cash	-	-	-	-	

Security deposit	217,525.90	20.74	45,116.69	172,409.21
Social security payment on-behalf	392,074.21	-	-	392,074.21
Receivables from related party that within consolidation scope	620,792,324.27	-	-	620,792,324.27
Other receivables	196,662.43	20.74	40,789.43	155,873.00
Total	621,598,586.81	0.01	85,906.12	621,512,680.69

As of the period end, the Company does not have other receivables at the second stage.

As of the period end, the Company does not have other receivables at the third stage.

Bad debt provision as of 31 December 2019:

Bad debt provision at the first stage:

Category	Book value	ECL rate in next 12 month (%)	Bad debt Provision	Carrying amount	Note
Individually significant and assessed for impairment individually	-	-	-	-	
Collectively assessed for impairment based on credit risk characteristics					
Petty cash	-	-	-	-	
Security deposit	235,761.90	32.39	76,355.60	159,406.30	
Social security payment on-behalf	242,726.90	-	-	242,726.90	
Receivables from related party that within consolidation scope	783,005,800.85	-	-	783,005,800.85	
Other receivables	253,003.43	5.22	13,205.26	239,798.17	
Total	783,737,293.08	0.01	89,560.86	783,647,732.22	

As of the period end, the Company does not have other receivables at the second stage.

As of the period end, the Company does not have other receivables at the third stage.

④ Accrual, recovery or reversals of provision during the year

Bad debt provision	1 st stage ECL in next 12 month	2 nd stage ECL for the life time of receivables (no impairment yet)	3 rd stage ECL for the life time of receivables (impaired)	Total
Balance as at 31 December 2019	89,560.86	-	-	89,560.86
In current period				
--transferred to 2 nd stage	-	-	-	-
--transferred to 3 rd stage	-	-	-	-
--Reversed to 2 nd stage	-	-	-	-
--Reversed to 3 rd stage	-	-	-	-
Accrued	-	-	-	-

Reversed	3,654.74	-	-	3,654.74
Realized	-	-	-	-
Written-off	-	-	-	-
Other changes	-	-	-	-
Balance as at 31 December 2020	85,906.12	-	-	85,906.12

⑤ There was no other receivables that are written-off during the period.

⑥ Top five other receivable are analyzed as follows:

The total amount of other receivables from top five accounts amounts to RMB620,803,426.07, accounted for 99.87% of total balance of other receivable as of year end.

3. Long-term equity investment

Item	As at 31/12/2020			As at 31/12/2019		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Investment to subsidiaries	1,478,014,522.36	-	1,478,014,522.36	1,334,471,401.42	-	1,334,471,401.42
Investment to associates	51,400,665.92	-	51,400,665.92	46,423,837.85	-	46,423,837.85
Total	1,529,415,188.28	-	1,529,415,188.28	1,380,895,239.27	-	1,380,895,239.27

(1) Investment in subsidiaries

Investee	As at 31/12/2019	Increase	Decrease	As at 31/12/2020	Provision	Balance of provision
HARMONY Company	602,538,761.04	1,528,450.16	-	604,067,211.20	-	-
E-commerce Company	2,184,484.39	9,500,000.00	-	11,684,484.39	-	-
Precision Technology Company	9,344,923.49	90,455,581.56	-	99,800,505.05	-	-
Technology Company	10,126,964.71	40,118,587.82	-	50,245,552.53	-	-
FIYTA Hong Kong	137,737,520.00	-	-	137,737,520.00	-	-
TEMPORAL Company	5,000,000.00	-	-	5,000,000.00	-	-
FIYTA Sales Company	451,377,582.46	1,753,237.26	-	453,130,819.72	-	-
Hengdarui Company	36,867,843.96	-	-	36,867,843.96	-	-
Emile Choureit Shenzhen Company	79,293,321.37	187,264.14	-	79,480,585.51	-	-
Total	1,334,471,401.42	143,543,120.94	-	1,478,014,522.36	-	-

(2) Investment in subsidiaries

Investee	As at 31/12/2019	Changes during the period								As at 31/12/2020	Balance of impairment provision as of period end
		Addition/new investment	Withdrawn	Investment gains and losses confirmed by the equity method	Adjustment of other comprehensive income	Changes in other equity	Cash dividend declared	Impairment provision	Others		
Associate											
Shanghai Watch	46,423,837.85	-	-	4,976,828.07	-	-	-	-	-	51,400,665.92	-

4. Operating income and operating cost

Item	2020		2019	
	Operating income	Operating cost	Operating income	Operating cost
Main business	134,821,552.25	36,497,097.45	140,511,246.61	21,776,539.35
Other business	2,560,243.70	-	-	-
Total	137,381,795.95	36,497,097.45	140,511,246.61	21,776,539.35

5. Investment gain

Item	2020	2019
Gain from long-term equity investments accounted for using the cost method	100,000,000.00	113,000,000.00
Gain from long-term equity investments accounted for using the equity method	4,976,828.07	1,542,774.70
Total	104,976,828.07	114,542,774.70

XVI. Supplementary information

1. Details of non-recurring gain or loss for the year

Item	2020	Note
Disposal gain or loss of non-current assets	-369,857.30	
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)	30,634,128.57	
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	-
Gain from disposal of tradable financial asset financial liabilities and debt investment	-
Impairment provision reversal of accounts receivable under standalone impairment test	163,925.30
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	1,556,300.78
Profit and loss items pursuant to the definition of non-recurring profit and loss	-
Subtotal	31,984,497.35
Effect of income tax of non-recurring profit or loss	6,964,353.72
Net amount of non-recurring profit or loss	25,020,143.63
Less: Effect of non-recurring profit or losses attributable to minority shareholders (after tax)	-
Non-recurring profit or loss attributable to shareholders of the parent company	25,020,143.63

2. Return on Equity (ROE) and Earnings per share (EPS)

Profit of the reporting period	Weighted average ROE %	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	10.78	0.6764	0.6764
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	9.87	0.6187	0.6187

Section13 Documents Available for Inspection

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

II. Original of the Auditors' Report under the seal of the accounting firm and signed by and under the seals of certified public accountants.

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

Board of Directors of
FIYTA Precision Technology Co., Ltd.

10 March 2021