

FIYTA 飞亚达

FIYTA Precision Technology Co., Ltd.

2023 Annual Report

March 2024

2023 Annual Report

Section 1 Important Tips, Table of Contents, and Interpretations

The Company's Board of Directors, Board of Supervisors, Directors, Supervisors, and Senior Officers guarantee the authenticity, accuracy, and completeness of the annual report, without any false records, misleading statements, or significant omissions, and shall bear individual and joint legal responsibilities.

The Company's person in charge, Zhang Xuhua, the person in charge of accounting work, Song Yaoming, and the head of the accounting agency (accounting supervisor), Tian Hui, declare that they guarantee the authenticity, accuracy, and completeness of the financial reports in this year's report.

All Directors have attended the Meeting of the Board of Directors to review this report.

The forward-looking descriptions of future plans and development strategies involved in this annual report do not constitute a substantive commitment of the Company to investors. Investors are advised to pay attention to investment risks.

The Company has provided a detailed description of the existing macroeconomic and operational risks in this report. Please refer to the discussion and analysis of the management in the third section regarding the Company's future development prospects.

The Company's profit distribution plan deliberated and approved by the Board of Directors is as follows: based on the total share capital on the equity registration date when the profit distribution plan is implemented in the future (excluding the shares in special repurchase securities account), a cash dividend of RMB 4.00 will be distributed to all shareholders for every 10 shares. (tax included), 0 bonus shares will be given (tax included), and the provident fund will not be converted into share capital.

This report is prepared in both Chinese and English versions. If there is any ambiguity in understanding the report, the Chinese version shall prevail.

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Contents of Reference File

I. The financial statements bearing the signatures and seals of the legal representative, chief accountant, and accounting supervisor.

II. The original audit report containing the seal of the accounting firm, the signature and seal of the registered accountant.

III. The original copies of all documents and announcements of the Company publicly disclosed during the reporting period.

Interpretations

Items	Refers to	Interpretations
The Company, Company, FIYTA	Refers to	FIYTA Precision Technology Co., Ltd.
Aviation industry	Refers to	Aviation Industry Corporation of China, Ltd.
AVIC International	Refers to	AVIC International Holding Corporation
AVIC INTL	Refers to	AVIC International Holding Limited
AVIC Finance	Refers to	AVIC Finance Co., Ltd.
Restricted share incentive scheme (Phase I)	Refers to	The Company's 2018 A-share restricted share Incentive scheme (Phase I)
Restricted share incentive scheme (Phase II)	Refers to	The Company's 2018 A-share restricted share Incentive Scheme (Phase II)

Section 2 Profile and Main Financial Indicators

I. Profile

Stock abbreviation	FIYTA, FIYTA B	Stock code	000026、200026
Stock abbreviation before change (if any)	None		
Stock exchanges for stock listing	Shenzhen Stock Exchange		
Chinese name of the Company	FIYTA Precision Technology Co., Ltd.		
Chinese abbreviation of the Company	FIYTA Company		
Foreign name of the Company (if any)	FIYTA Precision Technology Co., Ltd.		
Abbreviations of the Company's foreign name (if any)	FIYTA		
Legal representative of the Company	Zhang Xuhua		
Registered address	FIYTA Technology Building, Gaoxin South 1st Road, Nanshan District, Shenzhen		
Postal code (registered address)	518057		
Historical changes in the registered address of the Company	On January 30, 1997, the registered address of the Company was changed from Building 6, Zhonghang Yuan, Shennan Middle Road, Shenzhen to Building 6, Zhonghang Yuan, Shennan Middle Road, Futian District, Shenzhen; On April 5, 2000, the registered address was changed to "FIYTA Building, No. 163 Zhenhua Road, Futian District, Shenzhen"; On February 20, 2004, the registered address was changed to "FIYTA Technology Building, Gaoxin South 1st Road, Nanshan District, Shenzhen".		
Office address	20th Floor, FIYTA Technology Building, Gaoxin South 1st Road, Nanshan District, Shenzhen		
Postal code (office address)	518057		
Website	www.fiytagroup.com		
Email	investor@fiyta.com.cn		

II. Contact person and contact information

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Song Yaoming	Xiong Yaojia
Address	20th Floor, FIYTA Technology Building, Gaoxin South 1st Road, Nanshan District, Shenzhen	18th Floor, FIYTA Technology Building, Gaoxin South 1st Road, 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 preparation location

The website of the stock exchange where the Company discloses its annual report	http://www.szse.cn
Name and website of the media in which the Company discloses its annual report	STCN, Hong Kong Commercial Daily, and CNINF (www.cninfo.com.cn)
Location for preparing the Company's annual report	The Department of Capital Planning and Operation

IV. Registration changes

Unified Social Credit Code	91440300192189783K
Changes in the main business of the Company since its listing (if any)	No changes
Previous changes in controlling shareholders (if any)	No changes

V. Others

The accounting firm hired by the Company

Name	Da Hua CPAs LLP (Special General Partnership)
Address	Room 1101, Building 7, No.16 West Fourth Ring Middle Road, Haidian District, Beijing
Name (accountants)	Long Jiao, Wang Dong

Recommendation agencies hired by the Company to perform continuous supervision responsibilities during the reporting period
Not applicable

Financial advisors hired by the Company to perform continuous supervision duties during the reporting period
Not applicable

VI. Main accounting data and financial indicators

Does the Company need to retrospectively adjust or restate accounting data from previous years

No

	2023	2022	Changes compared to the previous year in this year	2021
Operating revenue (RMB)	4,569,690,002.99	4,354,096,880.36	4.95%	5,243,733,540.93
Net profit attributable to shareholders of the listed company (RMB)	333,178,102.37	266,681,451.84	24.93%	387,840,282.95
Net profit attributable to shareholders of the listed company after deducting non recurring gains and losses (RMB)	316,806,208.13	249,791,455.73	26.83%	369,418,754.83
Net cash flows from operating activities	632,401,487.98	476,228,776.52	32.79%	547,249,108.45

(RMB)				
Basic earnings per share (RMB/share)	0.8082	0.6398	26.32%	0.9036
Diluted earnings per share (RMB/share)	0.8075	0.6398	26.21%	0.9036
Weighted average ROE	10.28%	8.68%	1.60%	13.39%
	At the end of 2023	At the end of 2022	Changes at the end of this year compared to the end of the previous year	At the end of 2021
Total assets (RMB)	4,204,260,897.08	4,117,143,911.99	2.12%	4,110,579,952.49
Net assets attributable to shareholders of the listed company (RMB)	3,333,805,752.19	3,136,423,492.15	6.29%	3,013,232,642.53

The lower of the net profits before and after deducting non-recurring gains and losses of the Company in recent three accounting years are all negative, and the audit report of the recent year shows that the Company's going concern is uncertain.

No

The lower of the net profit before and after deducting non recurring gains and losses is a negative value

No

VII. Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profit and net assets disclosed in financial reports under both international accounting standards and Chinese accounting standards

Not applicable

2. Differences in net profit and net assets in financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards

Not applicable

VIII. Quarterly main financial indicators

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,200,095,568.76	1,164,409,693.80	1,162,738,360.51	1,042,446,379.92
Net profit attributable to shareholders of the listed company	103,189,489.23	84,205,578.00	78,162,925.58	67,620,109.56
Net profit attributable to shareholders of the listed company after deducting non recurring gains and losses	95,484,229.79	81,868,313.87	75,522,620.72	63,931,043.75
Net cash flows from operating activities	80,169,964.00	264,489,879.62	134,414,639.49	153,327,004.87

Is there a significant difference between the above financial indicators or their total amount and the financial indicators related to the disclosed quarterly and semi annual reports of the Company

No

IX. Non-recurring profit and loss items and amounts

Unit: RMB

Items	Amount for 2023	Amount for 2022	Amount for 2021	Note
Non current asset disposal gains and losses (including the offsetting portion of the provision for impairment of assets)	685,868.57	91,925.06	730,134.87	
Government subsidies included in the current period's profit and loss (excluding those that are closely related to the normal business operations of the Company, in compliance with national policy regulations, entitled to established standards, and have a sustained impact on the company's profits and losses).	8,665,506.85	18,648,210.06	23,476,186.50	
Reversal of impairment provisions for accounts receivable subject to separate impairment testing	7,570,975.54	4,389,902.44	2,225,653.32	
Other non operating revenue and expenses other than the above items	3,910,736.70	-1,064,064.23	-3,058,731.52	
Less: income tax impact amount	4,461,193.42	5,175,977.22	4,951,715.05	
Total	16,371,894.24	16,889,996.11	18,421,528.12	--

Details of other profit and loss items that meet the interpretation of non-recurring gains and losses:

Not applicable

Explanation on defining the non-recurring profit and loss items listed in No. 1 Explanatory Announcement on Information Disclosure of Companies Issuing Securities to the Public as recurring profit and loss items

Not applicable

Section 3 Discussion and Analysis of the Management

I. Industry conditions of the Company during the reporting period

In 2023, the National Bureau of Statistics announced a YoY GDP growth of 5.2%. Driven by policies such as expanding domestic demand and promoting consumption, coupled with the growth of household income, the driving force of consumption on economic growth continues to increase, gradually becoming the main driving force of economic growth.

The domestic watch consumption market is still under overall pressure due to the diversion of Hong Kong and some overseas regions, as well as the rationalization of consumer preferences. Among them, the middle and high-end watch consumer market is facing periodic fluctuations. According to the data released by the Swiss Watch Association, the cumulative amount of Swiss exports to Chinese Mainland increased by about 8% YoY, and Chinese Mainland is still the second largest consumer market of Swiss watches; The consumer market for mid to low-end watches is still sluggish, with fierce competition in segmented fields. In

an uncertain economic environment, the differentiation of watch brands is further highlighted. Brands with high reputation, differentiated characteristics, and quality services have stronger consumer resilience.

The Company's main watch business covers medium, high, and fashion brands, with multiple types of channels complementing each other. It continues to attach importance to investment in brand differentiation, channel operation, customer service, and other aspects. Faced with market fluctuations, the main business maintains a healthy development trend as a whole.

II. Main businesses engaged by the Company during the reporting period

The Company's establishment and development originated from aviation precision technology and material technology. Adhering to the values of "brand leadership, customer orientation, value creation, cooperation and responsibility, and learning and innovation", with the mission of "inheriting the spirit of serving the country by aviation and creating a quality life", it focuses on the watch industry and forms a core business layout where its self-owned watch brand and the retail channel of famous watches promote each other. In addition, the Company actively explores and cultivates new businesses such as precision technology and smart wearables, and is in a stage of continuous development.

The Company is deeply committed to professional watchmaking capacity building and brand operation, and has multiple self-owned brands such as "FIYTA" and "EMILE CHOORIET", covering different dimensions such as mid to high end, mass professional, and fashion cool. Among them, the core self-owned brand positioning of "FIYTA" is "a high-quality Chinese watch brand with aviation and aerospace watches as its characteristic", adhering to the concept of "nation" as the core and "trendy" as the form, continuously creating differentiated characteristics, and upgrading to "youthfulness, high-end, and mainstream"; At the same time, it continuously increases investment in technological innovation fields such as movement and aviation technology applications, relying on the advantages of aviation technology and aerospace quality, and continuously provide professional timing watches for China's aerospace industry, gradually establishing a leading position in the domestic industry and expanding our brand influence.

In order to seize the opportunities in the domestic watch market and promote the long-term development of its self-own brand, the Company has established the "Harmony" watch retail channel. "Harmony" is committed to becoming the best comprehensive service provider for luxury watches, and has long-term and in-depth cooperation with numerous watch groups and brands. It has honed industry-leading operational management and customer service capabilities, and has become a leading professional commercial brand in high-end chain for luxury watches in China.

In recent years, the Company has adhered to the development principle of "technology sharing the same origin, industry sharing the same roots, and value sharing the same direction". With the strength of precision technology and industrial accumulation, the Company has extended and expanded its precision technology business and smart wearable business, and has now begun to take shape.

III. Core competitiveness analysis

(I) Brand operation and management capabilities throughout the entire industry chain

The Company has the ability to operate and manage the entire industry chain, integrating research and development, design, manufacturing, sales and service. Through resource integration and business collaboration, it has continuously strengthened the differentiation of the core self-owned brand of "FIYTA". During the reporting period, the "FIYTA" brand's aerospace characteristic products, channels and marketing activities continued to innovate, and the brand's market share gradually increased.

(II) Refined channel operation and management capabilities

The Company has sales channels covering the whole country and some overseas countries and regions. Through its leading channel operation and management capabilities, the Company has continuously improved the efficiency of channel operation. During the reporting period, the channel structure continued to be optimized and the unit production of a single store continued to increase.

(III) Digital capabilities to empower business

The Company has digital retail system, CRM system, SAP system, cloud stores, and other digital platforms. Through deepening digital applications in research and development, design, production, sales and service, it has empowered business development and efficiency improvement, continuously strengthened private domain operations and integration of online and offline operations, enhanced customer lifecycle management capabilities, and continuously improved core indicators such as potential customer transactions and repeat purchases during the reporting period.

(IV) Core technological capabilities in precision technology

As a national enterprise technology center, the Company has R&D and production platforms in Shenzhen and Switzerland. By continuously promoting breakthroughs in movement technology, aerospace material applications, and the development and application of aerospace precision timing technology, the Company accelerated the localization of key components such as movements. During the reporting period, it has achieved commercial launch of its self-developed movements, and the technology development company has been recognized as a national "specialized, refined, unique, and new small giant" enterprise.

(V) Professional talent team building capabilities

The Company has a professional and stable talent team, and continuously invests in talent team construction based on the concept of "value creation". It has cultivated multiple outstanding representatives in core fields such as design, R&D, manufacturing, etc. During the reporting period, Liu Zhonghua, a senior watch technician of the Company, was awarded the "National May Day Labor Medal" and the honorary title of "National Technical Expert"; The Company has won the Outstanding Contribution Award in the National Industry Vocational Skills Competition Light Industry Competition issued by the China National Light Industry Council for its accumulation of innovative talents in technology.

IV. Main business analysis**1. Overview**

In 2023, the Company adheres to the principle of high-quality development, adheres to the business strategy of "seeking progress while maintaining stability" and "defending and counterattacking", strictly controls costs and expenses, prevents asset risks, deeply explores business counterattacks, and orderly carries out various business management work, achieving steady growth in overall business performance. During the reporting period, the Company achieved an operating revenue of RMB 4,569.69 million, a year-on-year increase of 4.95%; the total profit was RMB 437 million, a year-on-year increase of 28.86%; the basic earnings per share were RMB 0.8082, a year-on-year increase of 26.32%; the weighted average ROE was 10.28%, a year-on-year increase of 1.6 percentage points.

(I) Continuously promoting the upgrading of brand positioning and creating brand differentiation

During the reporting period, based on the positioning of "a high-quality Chinese watch brand with aerospace watch as its feature", "FIYTA" has made concerted efforts, focused on the core product matrix, concentrated resource investment, strengthened IP cooperation, reached strategic cooperation with CNNC, etc., and successively launched a number of aerospace-themed watches such as J-20, Z-20, Y-20, "Spaceman" tourbillon, space yacht, China-Chic "Green Dragon and White Tiger". The aerospace series has experienced rapid year-on-year growth and has become the second best-selling series of the brand, helping to increase the average customer price and rejuvenate the brand image; the Company also closely followed hot events to carry out integrated marketing, combining with movie cooperation of Born to Fly, China Brand Day and celebrity activities, etc., to enhance the popularity of new products and promote aviation brand culture.

(II) Continuously promoting channel structure optimization and leveraging operational management advantages

During the reporting period, the "FIYTA" brand upgraded its store image with a focus on aerospace-themed stores, Brand Gallery stores with overall decoration, and fashion collection stores, continued to optimize its channel structure, entered the mainstream shopping centers in first and second tier cities, and opened more than 20 aerospace-themed stores, which effectively improved the average customer price and unit production of its stores; seizing the opportunity of tax exemption, the Company has

opened new duty-free stores in Hong Kong, Macao (the first oversea aerospace-themed store), Haikou and other places, with good sales; the Company has also increased investment in new channels such as Douyin, and strengthened online new product development, self-owned live broadcast matrix building and multi-party cooperation. During the "618" shopping festival, e-commerce GMV grew by more than 80%. During the "Double 11" shopping festival, it ranked top 1 in Tmall's domestic watch category, with a year-on-year growth of more than 200% on Douyin.

For "Harmony" Watch Retail, the Company continued to deepen its refined operations, developing mid-to-high-end brands and core high-quality channels around the four elements of "city, brand, business format and partners", and it has opened and upgraded a total of 48 new stores; it promoted the integration of online and offline operation to build a "1+N+X" Harmony marketing matrix on Douyin, and continued to improve the comprehensive service capability of famous watches.

(III) Continuously increasing investment in technological innovation and strengthening the hardcore strength of precision technology

During the reporting period, the Company increased investment in areas such as movement-related technologies, aerospace material applications, and precision timing equipment, achieving the localization of movements in some products; it realized market applications of aerospace aluminum alloys, Z-20 gene steel and other materials; it also provided timing equipment for astronauts in Shenzhou XVI and XVII missions.

(IV) Continuously promoting digital transformation and deepening platform applications

During the reporting period, the Company continued to focus on digital management and private domain operations, and carried out multiple digital infrastructure construction and management digitization projects; focusing on customer service and customer value exploration, it deepened the refinement of member operations and made improvement in core indicators like potential customer transactions and repeat purchases by existing customers; it promoted the operation of private domain traffic matrix, using mini programs as the starting point to increase private domain traffic; through online and offline joint marketing, new retail model of live streaming sales and other models, it achieved store traffic attraction and conversion.

(V) Continuously promoting new business exploration and cultivating new growth drivers

During the reporting period, the Company's precision technology business continued to strengthen its technical strength in matching complex and high-precision products, promoting expansion into fields such as aerospace and medical devices, and continuing to push for breakthroughs in new customers; for smart wearable business, the Company continued to enhance its technological research and development capabilities, continuously improved software and hardware functions for its products, and focused on new categories, new businesses, and new channels. Its self-owned brand ADASHER has achieved rapid growth.

Year-on-year changes in key financial data

Items in balance sheet

Items	Closing balance	Opening balance	Change ratio	Reason for change
Monetary funds	504,629,153.71	313,747,463.64	60.84%	Mainly due to an increase in cash flows from operating activities.
Notes receivable	18,268,972.37	32,214,912.10	-43.29%	Mainly due to the expiration of some commercial bills.
Advances from customers	10,267,758.31	16,960,128.83	-39.46%	Mainly due to a decrease in advances from customers from the property business.
Treasury stock	78,645,532.23	50,759,806.16	54.94%	Mainly due to the impact of repurchase of B-shares and unlocking of equity incentives.
Other comprehensive income	19,325,335.93	5,739,589.89	236.70%	Mainly due to changes in translation differences of foreign currency statements.

Items in income statement from the beginning of the year to the end of the reporting period

Items	Current amount	Amount incurred in the	Change ratio	Reason for change
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	incurred	previous period		
Other income	11,435,373.78	18,648,210.06	-38.68%	Mainly due to a decrease in government subsidies received.
Investment income	-5,819,479.60	3,026,481.59	-292.29%	Mainly due to the losses incurred by the held companies this year.
Credit impairment loss	6,827,575.82	4,845,379.45	40.91%	Mainly due to an increase in the amount of offsetting the provision for bad debts.
Assets impairment loss	571,980.37	-37,625,482.96	101.52%	Mainly due to the impact of the write-back of the inventory depreciation provision for the watch business in the previous year.
Income tax expenses	103,826,161.94	72,440,220.01	43.33%	Mainly due to the increase in income tax expenses caused by the increase in total profit.

Items in statement of cash flows from the beginning of the year to the end of the reporting period

Items	Current amount incurred	Amount incurred in the previous period	Change ratio	Reason for change
Refunds of taxes	1,937,203.71	7,793,409.24	-75.14%	Mainly due to the large amount of VAT credit refunds received in the previous period.
Cash received from borrowings	250,000,000.00	845,155,704.29	-70.42%	Mainly due to decrease in the amount of borrowings obtained this year caused by changes in borrowing methods.
Cash paid for debt repayment	290,000,000.00	794,083,975.00	-63.48%	Mainly due to decrease in the amount of repayment of loans this year caused by changes in borrowing methods.

2. Revenue and cost

(1) Composition of operating revenue

Unit: RMB

	2023		2022		Year-on-year changes
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	4,569,690,002.99	100%	4,354,096,880.36	100%	4.95%
By industry					
Watch business	4,267,371,133.82	93.38%	4,044,205,847.74	92.88%	5.52%
Precision technology business	135,950,405.45	2.98%	163,114,009.23	3.75%	-16.65%
Lease business	150,361,811.22	3.29%	129,266,616.76	2.97%	16.32%
Other	16,006,652.50	0.35%	17,510,406.63	0.40%	-8.59%
By product					
Watch brand business	797,083,010.50	17.44%	725,388,535.22	16.66%	9.88%
Watch retail service business	3,470,288,123.32	75.94%	3,318,817,312.52	76.22%	4.56%
Precision	135,950,405.45	2.98%	163,114,009.23	3.75%	-16.65%

technology business					
Lease business	150,361,811.22	3.29%	129,266,616.76	2.97%	16.32%
Other	16,006,652.50	0.35%	17,510,406.63	0.40%	-8.59%
By region					
South China	2,111,088,618.01	46.20%	2,142,082,539.80	49.20%	-1.45%
Northwest region	704,042,804.95	15.41%	610,765,393.07	14.03%	15.27%
North China	217,315,524.00	4.76%	231,541,393.72	5.32%	-6.14%
East China	570,830,728.85	12.49%	572,584,950.61	13.15%	-0.31%
Northeast region	357,656,639.08	7.83%	281,347,840.46	6.46%	27.12%
Southwest region	608,755,688.10	13.31%	515,774,762.70	11.84%	18.03%
By sales model					
Direct sales	4,429,357,639.21	96.93%	4,196,696,430.85	96.39%	5.54%
Distribution	140,332,363.78	3.07%	157,400,449.51	3.61%	-10.84%

(2) Data of industries, products, regions, and sales models that account for more than 10% of the Company's operating revenue or profit

Unit: RMB

	Operating revenue	Operating costs	Gross profit margin	Changes in operating revenue compared to the same period last year	Changes in operating costs compared to the same period last year	Changes in gross profit margin compared to the same period last year
By industry						
Watch business	4,267,371,133.82	2,745,624,708.72	35.66%	5.52%	7.39%	-1.12%
Lease business	150,361,811.22	44,370,528.09	70.49%	16.32%	-3.62%	6.10%
By product						
Watch brand business	797,083,010.50	263,771,395.75	66.91%	9.88%	23.41%	-3.63%
Watch retail service business	3,470,288,123.32	2,481,853,312.97	28.48%	4.56%	5.93%	-0.93%
Lease business	150,361,811.22	44,370,528.09	70.49%	16.32%	-3.62%	6.10%
By region						
South China	2,111,088,618.01	1,337,000,230.43	36.67%	-1.45%	1.30%	-1.72%
Northwest region	704,042,804.95	447,894,168.60	36.38%	15.27%	14.33%	0.52%
North China	217,315,524.00	131,696,421.10	39.40%	-6.14%	-8.37%	1.47%
East China	570,830,728.85	367,848,607.72	35.56%	-0.31%	-0.58%	0.18%
Northeast region	357,656,639.08	240,261,877.28	32.82%	27.12%	25.46%	0.89%

Southwest region	608,755,688.10	380,762,169.68	37.45%	18.03%	18.18%	-0.08%
By sales model						
Direct sales	4,429,357,639.21	2,848,424,998.86	35.69%	5.54%	6.85%	-0.79%
Distribution	140,332,363.78	57,038,475.95	59.35%	-10.84%	-22.14%	5.89%

The Company's main business data for the past year adjusted based on data of the end of the reporting period (if the statistical data of the Company's main business is adjusted during the reporting period)

Not applicable

(3) Whether the Company's revenue from physical sales was greater than its revenue from labor services

Yes

Industry category	Items	Unit	2023	2022	Year-on-year changes
Brand watch	Sales volume	Piece	902,955	771,846	16.99%
	Production volume	Piece	868,480	592,041	46.69%
	Inventory	Piece	782,514	816,989	-4.22%

Explanation for relevant data with an year-on-year change of more than 30%

The production of brand watches for the year increased by 46.69% year-on-year, mainly due to the growth in production of FIYTA and Jeep brands.

(4) Performance status of major sales contracts and major procurement contracts signed by the Company as of the reporting period

Not applicable

(5) Composition of operating costs

Industry and product categories

Unit: RMB

Industry category	Items	2023		2022		Year-on-year changes
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watch business	Cost of purchasing goods	2,481,853,312.97	85.42%	2,342,868,173.39	85.54%	5.93%
	Raw materials	239,031,937.74	8.23%	191,690,987.81	7.00%	24.70%

Unit: RMB

Product category	Items	2023		2022		Year-on-year changes
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watch brand	Raw materials	239,031,937.74	8.23%	191,690,987.81	7.00%	24.70%

business							
Watch retail service business	Cost of purchasing goods	2,481,853,312.97	85.42%	2,342,868,173.39	85.54%	5.93%	

(6) Whether there were any changes in the scope of consolidation during the reporting period

No

(7) Significant changes or adjustments in the Company's business, products or services during the reporting period

Not applicable

(8) Main sales customers and suppliers

Main sales customers of the Company

Total sales of the top five customers (RMB)	838,712,019.86
The proportion of the total sales of the top five customers to the annual total sales	18.35%
The proportion of related party sales to annual total sales among the top five customers	0.00%

Information on the Company's top 5 customers

No.	Name	Sales revenue (RMB)	Proportion to annual total sales
1	First place	241,354,458.49	5.28%
2	Second place	152,642,841.47	3.34%
3	Third place	150,856,332.33	3.30%
4	Fourth place	147,569,135.47	3.23%
5	Fifth place	146,289,252.10	3.20%
Total	--	838,712,019.86	18.35%

Other information of main customers

Not applicable

Main suppliers of the Company

Total procurement amount of the top five suppliers (RMB)	2,263,893,779.57
The proportion of the total procurement amount of the top five suppliers to the total annual procurement amount	80.19%
The proportion of related party procurement to the total annual procurement amount among the top five suppliers	0.00%

Information on the Company's top 5 suppliers

No.	Name	Procurement amount (RMB)	Proportion to annual total procurement amount
1	First place	981,561,875.51	34.77%
2	Second place	702,988,090.37	24.90%
3	Third place	220,483,210.73	7.81%
4	Fourth place	182,125,111.63	6.45%
5	Fifth place	176,735,491.33	6.26%

Total	--	2,263,893,779.57	80.19%
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3. Costs

Unit: RMB

	2023	2022	Year-on-year changes	Significant changes
Sales expenses	924,009,179.32	931,832,830.40	-0.84%	Not applicable
Management expenses	205,359,277.24	219,014,508.52	-6.23%	Not applicable
Financial expenses	21,469,772.77	21,188,742.11	1.33%	Not applicable
R&D expenses	57,802,244.08	61,088,585.61	-5.38%	Not applicable

4. R&D investment

Name of main R&D projects	Purpose	Progress	Intended goals	Expected impact on the future development of the Company
A series of new products with FIYTA characteristics	Provide innovative products with aerospace brand characteristics for the market	Completed the current year's task	Develop multiple series of products with FIYTA characteristics with aerospace as the theme, and launch and sell them as planned	Provide innovative products
New product innovation structure development	Enhance the performance and market competitiveness of new products	Completed the current year's task	Innovate and develop new product structures based on the needs of theme new product development	Enhance the performance and market competitiveness of new products
Development of mechanical watch movements with brand differentiation features	Enhance the performance and market competitiveness of new products	Completed the current year's task	Develop mechanical watch movements and related key components with special functions and indication methods based on brand differentiation needs	Enhance the performance and market competitiveness of new products
Development of a dedicated watch for manned spaceflight	Provide specialized equipment watches for manned spaceflight	Complete the task for the year and deliver multiple batches of products	Develop and deliver specialized equipment watches according to the requirements of manned space missions	Provide specialized equipment watches for manned spaceflight
A smartwatch product with functions such as shooting, payment, exercise and health, and monitoring of human signs	Enhance the performance and market competitiveness of new products	Completed the current year's task	Build a service ecosystem around smart wearables, deepen efforts in smart AI, mobile payments, transportation, music, and environmental monitoring functions, and build relevant service support platforms based on human health, sleep, and other fields; widely apply research technologies to related listed products	Enhance the performance and market competitiveness of new products

R&D personnel in the Company

	2023	2022	Change ratio
Number (person)	119	115	3.48%
Proportion	2.81%	2.66%	0.15%
Educational structure			
Undergraduate	62	61	1.64%

Master	18	18	0.00%
Doctor	2	2	0.00%
Junior college education or below	37	34	8.82%
Age composition			
Under 30 years old	28	38	-26.32%
30-40 years old	64	51	25.49%
Over 40 years old	27	26	3.85%

R&D investment of the Company

	2023	2022	Change ratio
Investment amount (RMB)	57,802,244.08	61,088,585.61	-5.38%
Proportion of R&D investment to operating revenue	1.26%	1.40%	-0.14%
Capitalized amount of R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalized R&D investment to R&D investment	0.00%	0.00%	0.00%

Reasons and impacts of significant changes in the composition of R&D personnel in the Company

Not applicable

Reasons for the significant change in the proportion of total R&D investment to operating revenue compared to the previous year

Not applicable

Reasons for significant changes in capitalization rate of R&D investment and their rational explanation

Not applicable

5. Cash flow

Unit: RMB

Items	2023	2022	Year-on-year changes
Sub-total of cash inflows from operating activities	5,095,999,854.92	4,997,924,003.93	1.96%
Sub-total of cash outflows from operating activities	4,463,598,366.94	4,521,695,227.41	-1.28%
Net cash flows from operating activities	632,401,487.98	476,228,776.52	32.79%
Sub-total of cash inflows from investment activities	1,778,284.57	138,721.29	1,181.91%
Sub-total of cash outflows from investment activities	91,104,776.03	114,090,573.97	-20.15%
Net cash flows from investment activities	-89,326,491.46	-113,951,852.68	21.61%
Sub-total of cash inflows from financing activities	250,000,000.00	845,155,704.29	-70.42%
Sub-total of cash outflows from financing activities	602,163,687.52	1,106,081,523.22	-45.56%
Net cash flows from financing activities	-352,163,687.52	-260,925,818.93	-34.97%
Net increase in cash and cash	190,890,764.07	103,483,652.50	84.46%

equivalents			
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Explanation of the main influencing factors for significant YoY changes in relevant data

Not applicable

Explanation of the significant difference between the net cash flow from the operating activities during the reporting period and the net profit of the current year

Not applicable

V. Non-main business analysis

Not applicable

VI. Analysis of asset and liabilities

1. Significant changes in asset composition

Unit: RMB

	At the end of 2023		At the beginning of 2023		Changes in proportion	Significant changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	504,629,153.71	12.00%	313,747,463.64	7.62%	4.38%	Not applicable
Accounts receivable	323,142,761.64	7.69%	305,290,959.68	7.42%	0.27%	Not applicable
Contract assets	0.00	0.00%	0.00	0.00%	0.00%	Not applicable
Inventory	2,100,666,175.28	49.97%	2,141,320,373.67	52.01%	-2.04%	Not applicable
Investment real estate	360,255,832.14	8.57%	374,979,494.71	9.11%	-0.54%	Not applicable
Long-term equity investment	51,862,607.30	1.23%	58,182,086.90	1.41%	-0.18%	Not applicable
Fixed assets	355,785,354.68	8.46%	364,628,765.17	8.86%	-0.40%	Not applicable
Construction in progress	0.00	0.00%	0.00	0.00%	0.00%	Not applicable
Assets of right of use	109,452,481.64	2.60%	110,330,512.03	2.68%	-0.08%	Not applicable
Short-term loans	250,187,763.87	5.95%	290,237,111.11	7.05%	-1.10%	Not applicable
Contract liabilities	12,286,243.62	0.29%	16,844,437.47	0.41%	-0.12%	Not applicable
Long-term loans	0.00	0.00%	0.00	0.00%	0.00%	Not applicable
Lease liabilities	43,526,352.52	1.04%	41,642,561.58	1.01%	0.03%	Not applicable

High proportion of overseas assets

Not applicable

2. Assets and liabilities measured at fair value

Not applicable

3. Restricted asset rights as of the end of the reporting period

Not applicable

VII. Investment analysis

1. Overall situation

Investment amount during the reporting period (RMB)	Investment amount for the same period last year (RMB)	Variation
80,000,000.00	0.00	100.00%

Note: during the reporting period, the Company increased the capital of RMB 80 million for its wholly-owned subsidiary Shenzhen FIYTA Precision Technology Co., Ltd. Please refer to the relevant announcements disclosed by the Company on August 23, 2023 and December 1, 2023 on CNINF for details.

2. Significant equity investments obtained during the reporting period

Not applicable

3. Significant non equity investments ongoing during the reporting period

Not applicable

4. Financial asset investment

(1) Securities investment

Not applicable

(2) Derivative investment

Not applicable

5. Usage of raised funds

Not applicable

VIII. Significant asset and equity sales

1. Sale of significant assets

Not applicable

2. Sale of significant equity

Not applicable

XI. Analysis of main holding and participating companies

Main subsidiaries and participating companies with a net profit impact of over 10% on the Company

Unit: RMB

Name	Type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Shenzhen Harmony World Watch Center Co., Ltd.	Subsidiary	Purchase and sales of watches and spare and accessory parts, and maintenance services.	600,000,000	2,076,571,866.37	1,162,132,954.12	3,405,187,991.94	322,421,713.57	242,290,924.83
FIYTA Sales Co., Ltd.	Subsidiary	Design, development, and sales of watches and spare and accessory parts.	450,000,000	450,015,837.37	332,583,223.76	421,566,166.83	3,261,715.88	-2,469,115.15
Shenzhen FIYTA Precision Technology Co., Ltd.	Subsidiary	Manufacturing and production of watches and spare and accessory parts.	180,000,000	368,788,920.21	286,495,846.07	367,913,873.64	44,214,426.68	41,929,647.65
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Production and processing of precision spare and accessory parts.	50,000,000	199,259,950.58	162,613,018.73	164,445,123.56	12,355,709.45	11,968,906.87
FIYTA (Hong Kong) Co., Ltd.	Subsidiary	Trade and investment in watches and accessories.	137,737,520	268,028,322.96	252,131,956.46	87,223,517.20	13,195,774.65	10,121,009.50
Emile Chouriet Horologe (Shenzhen) Co., Ltd.	Subsidiary	Design, development, and sales of watches and spare and accessory parts.	41,355,200	132,484,518.55	54,153,791.88	79,250,452.61	543,615.96	310,562.68

Acquisition and disposal of subsidiaries during the reporting period

Not applicable

Explanation of main companies with holdings and shares

Not applicable

X. Situation of structured entities controlled by the Company

Not applicable

XI. Outlook for the future development of the Company

(I) Development strategy and outlook

In 2024, the Company will continue to implement the national brand strategy, focus on value creation goals, take "high-quality development" as the guiding principle, adhere to the principle of seeking progress while maintaining stability, strengthen and expand the watch industry, and improve core competitiveness; adhere to technological innovation, accelerate transformation and upgrading, and enhance core functions. Solidly carry out the following tasks:

1. Continue to promote brand positioning upgrade and increase market share

The "FIYTA" brand will firmly establish its brand positioning as a high-quality Chinese watch brand with aerospace watches as its characteristic, optimize its marketing and communication system, and highlight the characteristics of the aviation brand; Strengthen product planning and operation, integrate hardcore technology, and use aerospace series to drive brand enhancement.

2. Continue to promote channel structure optimization and strengthen refined operations

The "FIYTA" brand will focus on three key store types, aerospace-themed stores, Brand Gallery stores with overall decoration, and fashion collection stores, seize opportunities for channel transformation, and promote the entry of shopping centers; deepen the "dual excellence" operation system of stores and increase the output of single stores.

"Harmony" watch retail will focus on developing mid to high end channels and brands; deeply cultivate excellent operations and improve service quality; promote the integrated development of online and offline.

3. Continue to increase investment in technological innovation and enhance technological attributes

The Company will accelerate the localization of movements, high-end customized movements such as tourbillons, and the development of independent key components, continuously promote the application of aerospace materials and technology, and create a hardcore capability that matches "aerospace quality".

4. Continue to promote transformation and upgrading, and promote the development of new businesses

The Company will adhere to the principle of "technology sharing the same origin, industry sharing the same roots, and value sharing the same direction", accelerate the cultivation process of strategic emerging industries, and enhance the technological attributes and scale of precision technology and smart wearable business.

The precision technology business will focus on improving its process technology and precision manufacturing solution capabilities, striving for breakthroughs in industry expansion and customer development; The smart wearable business will continue to enhance its physical operation capabilities, achieving scale and efficiency improvement.

(II) Risks and countermeasures

1. Consumer market risk

Currently, the domestic consumer market is in a weak recovery state, and residents have rational and cautious consumption preferences. The watch consumption industry where the Company is located is still under pressure. On the one hand, the Company will continue to focus on its main business, strengthen differentiated product development, increase the proportion of aerospace series, strengthen refined management capabilities, improve channel operation efficiency, and promote the expansion of brand market share; On the other hand, the Company will accelerate the cultivation of strategic emerging industries and seek breakthroughs in industrial transformation and upgrading.

2. Consumption outflow risk

With the recovery of travel in Hong Kong and overseas, the domestic consumer market is facing pressure to diversify. The Company will continue to strengthen digital construction and application, enhance customer lifecycle management and service capabilities, and enhance customer stickiness; seize market opportunities and continue to explore overseas and duty-free channels.

XII. Reception, research, communication, interviews and other activities during the reporting period

Time	Address	Method	Type of object	Object	Main content of the discussion and the materials provided	Index of basic information of research
February 8, 2023	Conference room of FIYTA Technology Building	Field research	Agency	Huachuang Securities Co., Ltd., Essence Securities Co., Ltd., Qianhai Reinsurance Co., Ltd., Shenzhen Qianhai Jinhong Capital Management Co., Ltd., Ping An Pension Insurance Co., Ltd.	The Company communicated and exchanged ideas with investors on business operations, watch brand management, retail of luxury watches, and development of precision technology business.	
April 3, 2023	https://eseb.cn/1379ifdveEw	Communication on online platforms	Other	The vast number of investors participating in the 2022 online performance briefing of the Company through remote network participation	In order to provide investors with a comprehensive and in-depth understanding of the Company's situation, the Company held an online performance briefing for the year 2022, where discussions and exchanges were held with investors on the Company's business situation, development strategy, watch brand management business, watch retail business, precision technology business, and smart wearable business	http://irm.cninfo.com.cn/ircs/company/companyDetail?stockcode=000026&orgId=gssz0000026

					development for the year 2022.
From May 24 to May 25, 2023	Conference room of FIYTA Technology Building	Field research	Agency	Shenwan Hongyuan Securities Co., Ltd., New China Fund Management Co., Ltd., China Asset Management Company Limited, Guotai Junan Securities Co., Ltd., China Life Pension Company Limited, Kaiyuan Securities Co., Ltd., Shenzhen Qianhai Alliance Asset Management Co., Ltd., and Zhongtai Securities Co., Ltd.	The Company communicated and exchanged ideas with investors regarding business operations, watch brand management, retail of luxury watches, and the development of smart wearable businesses.
August 31, 2023	Conference room of FIYTA Technology Building	Field research	Agency	Cinda Securities Co., Ltd. and Zhongtai Securities Co., Ltd.	The Company communicated and exchanged ideas with investors regarding business operations, watch brand management, and the development of luxury watch retail business.
November 15, 2023	"Panorama Roadshow" website, WeChat official account, APP	Communication on online platforms	Other	Investors who participated in this online collective reception day event for investors.	The Company has communicated and exchanged ideas with investors regarding the Company's development strategy, business development situation, etc.

Section 4 Corporate Governance

I. Basic situation of corporate governance

In 2023, the Company will continue to strictly comply with the requirements of the Company Law, Securities Law, and normative documents related to listed company governance issued by the China Securities Regulatory Commission, continuously improve the corporate governance structure, and strive to strengthen the construction of modern enterprise systems, enhance the level of standardized operation of the Company. The company's governance status is no different from the normative documents related to listed company governance issued by the China Securities Regulatory Commission.

The Company has strictly followed the provisions of the Company Law, other laws, regulations, normative documents, and the Articles of Association to establish and improve a relatively standardized corporate governance structure and rules of procedure. It has formed a decision-making and operational management system with the General Meeting, Board of Directors, Board of Supervisors, and company management as the main structure, and has fulfilled all responsibilities stipulated in the Company Law and Articles of Association in accordance with the law.

The General Meeting is the power organ of the Company, which decides the Company's business policies and investment plans, reviews and approves the annual financial budget plan, final accounts plan, profit distribution plan, plan to make up for losses, change the use of raised funds, equity incentive plans and other matters, makes resolutions on the increase or reduction of the Company's registered capital, the issuance of corporate bonds and other financing instruments such as bonds, the merger, division, dissolution, liquidation or change of the Company's form, formulates or approves the Articles of Association and the plan for amending the Articles of Association, elects and replaces Directors and Supervisors who are not represented by employees, and decides on the remuneration matters of the relevant Directors and Supervisors.

The Board of Directors plays the role of "setting strategies, making decisions, and preventing risks", is responsible for executing the resolutions of the General Meeting, convening the General Meeting, and reporting the Board of Directors' work to the General Meeting. Within the scope authorized by the General Meeting, the Board of Directors can decide on matters such as external investment, acquisition and sale of assets, asset mortgage, external guarantees, related transactions, etc., determine the establishment of the Company's internal management structure and branch offices, and appoint or dismiss the Company's General Manager, Secretary of the Board of Directors, and other Senior Officers. The Board of Directors of the Company is composed of nine Directors, including three Independent Directors. The Board of Directors has three specialized committees: Strategy, Audit and Nomination, and Compensation and Assessment.

The Board of Supervisors is the Supervisory body of the Company, responsible for reviewing the Company's regular reports, inspecting the Company's finances, supervising the Directors and Senior Officers of the Company to perform their duties in accordance with the law, and making recommendations for the removal of Directors and Senior Officers who violate laws, administrative regulations, the Company's Articles of Association, or resolutions of the General Meeting. The Board of Supervisors of the Company is composed of three Supervisors, including one Employee Representative Supervisor.

The management team is responsible for "seeking business, implementing, and strengthening management". The General Manager is responsible to the Board of Directors, presiding over the Company's production and operation management under the leadership of the Board of Directors, organizing the implementation of resolutions of the meetings of the Board of Directors, reporting to the Board of Directors, organizing the implementation of the Company's annual development plan and business plan, drafting the Company's investment plan, annual financial budget plan, final account plan, profit distribution plan, and loss recovery plan, and plan to increase or decrease the registered capital of the Company, etc.

Is there a significant difference between the actual situation of corporate governance and laws, administrative regulations, and the provisions on corporate governance issued by the China Securities Regulatory Commission for listed companies

No

II. The independent situation of the Company relative to its controlling shareholders and actual controllers in ensuring the Company's assets, personnel, finance, institutions, business, etc.

The Company has strictly separated from its controlling shareholders in terms of business, personnel, assets, institutions, finance, etc. The Company has independent and complete business and independent operation capabilities.

In terms of business: the Company mainly operates in the clock and watch industry, with independent production, auxiliary production, supporting facilities, and procurement and sales systems. There is no industry competition between the Company and its controlling shareholders.

In terms of personnel: the Company has independent institutions and sound systems in labor, personnel, and salary management. Except for Mr. Xiao Yi, Mr. Li Peiyin, Mr. Deng Jianghu, Mr. Guo Gaohang, the Directors as well as Ms. Hu Min, Chairman of the Board of Supervisors, and Mr. Yuan Tianbo, the Supervisor, who serve as controlling shareholders, no other Directors or Senior Officers have held dual positions in shareholder units, and the financial staff has not held any part-time positions in affiliated companies.

In terms of assets: the Company has clear property rights with its controlling shareholders, and has independent legal person property rights over the Company's assets. The Company's assets are completely independent of its controlling shareholders, and it independently owns trademarks such as "FIYTA" and "Harmony".

In terms of institutions: The Company's Board of Directors, Board of Supervisors, and other internal institutions are sound, operate independently, and there is no subordinate relationship or joint office situation with the functional departments of its controlling shareholders. The controlling shareholder shall exercise its rights and assume corresponding obligations in accordance with the law, and shall not directly or indirectly interfere with the Company's operating activities beyond the scope of the General Meeting.

In terms of finance: the Company has established an independent finance department, a sound and independent financial accounting system and financial management system, opened an independent bank account, and the controlling shareholder has not interfered with the Company's financial accounting activities.

III. Peer competition

Not applicable

IV. Relevant information on Annual and Extraordinary General Meetings held during the reporting period

1. Information on the General Meetings during this reporting period

Sessions	Type	Investors' participation ratio	Date	Disclosure date	Resolution
2022 Annual General Meeting	Annual General Meeting	42.07%	April 26, 2023	April 27, 2023	Announcement on the Resolutions of the 2022 Annual General Meeting 2023-024
The 1st Extraordinary General Meeting in 2023	Extraordinary General Meeting	39.13%	May 31, 2023	June 1, 2023	Announcement on the Resolutions of the 1st Extraordinary General Meeting in 2023-031

The 2nd Extraordinary General Meeting in 2023	Extraordinary General Meeting	39.35%	September 12, 2023	September 13, 2023	Announcement on the Resolutions of the 2nd Extraordinary General Meeting in 2023-051
The 3rd Extraordinary General Meeting in 2023	Extraordinary General Meeting	39.36%	December 28, 2023	December 29, 2023	Announcement on the Resolutions of the 3rd Extraordinary General Meeting in 2023-067

II. Preferred shareholders with restored voting rights request to convene an Extraordinary General Meeting

Not applicable

V. Situation of Directors, Supervisors, and Senior Officers

1. Basic information

Name	Position	Employment status	Gender	Age	From	To	Initial holdings (shares)	Shares added in this period (shares)	Shares reduced in this period (shares)	Other changes (shares)	Final holdings (shares)	Reasons for changes in shares
Zhang Xuhua	Chairman	Current	Male	47	July 1, 2021	September 8, 2024	0	0	0	0	0	
Xiao Yi	Director	Current	Male	50	February 24, 2021	September 8, 2024	0	0	0	0	0	
Li Peiyin	Director	Current	Male	38	February 24, 2021	September 8, 2024	0	0	0	0	0	
Deng Jianghu	Director	Current	Male	40	September 8, 2021	September 8, 2024	0	0	0	0	0	
Guo Gaohang	Director	Current	Male	37	December 28, 2023	September 8, 2024	0	0	0	0	0	
Pan Bo	Director	Current	Male	48	February 24, 2021	September 8, 2024	280,000	0	0	-49,950	230,050	The Company repurchased and cancelled a portion of its A-share restricted shares that did not meet the performance conditions for lifting restrictions at the company level, resulting in a decrease of 49,950 shares.
	General Manager				January 15, 2021							
Wang Jianxin	Independent Director	Current	Male	54	September 11, 2018	September 8, 2024	0	0	0	0	0	
Zhong Hongming	Independent Director	Current	Male	49	September 11, 2018	September 8, 2024	0	0	0	0	0	
Tang Xiaofei	Independent Director	Current	Male	50	September 11, 2018	September 8, 2024	0	0	0	0	0	
Hu Min	Chairman of the Board of Supervisors	Current	Female	39	January 4, 2024	September 8, 2024	0	0	0	0	0	
	Supervisor				December 28, 2023							

Yuan Tianbo	Supervisor	Current	Male	44	December 28, 2023	September 8, 2024	0	0	0	0	0	
Hu Jing	Supervisor	Current	Female	53	September 7, 2021	September 8, 2024	9,000	0	0	0	9,000	
Lu Wanjun	Deputy General Manager	Current	Male	57	August 8, 2014	September 8, 2024	280,000	0	70,000	-49,950	160,050	1. Reduced 70,000 shares due to personal financial needs; 2. The Company repurchased and cancelled a portion of its A-share restricted shares that did not meet the performance conditions for lifting restrictions at the company level, resulting in a decrease of 49,950 shares.
	General Counsel				October 25, 2021	September 8, 2024						
Liu Xiaoming	Deputy General Manager	Current	Male	53	October 17, 2016	September 8, 2024	280,000	0	70,000	-49,950	160,050	1. Reduced 70,000 shares due to personal financial needs; 2. The Company has completed the repurchase and cancellation of some A-share restricted shares it holds that have not met the performance conditions for lifting restrictions at the company level, resulting in a decrease of 49,950 shares.
Li Ming	Deputy General Manager	Current	Male	51	October 17, 2016	September 8, 2024	280,040	0	70,000	-49,950	160,090	1. Reduced 70,000 shares due to personal financial needs; 2. The Company has completed the repurchase and cancellation of some A-share restricted shares it holds that have not met the performance conditions for lifting restrictions at the company level, resulting in a decrease of 49,950 shares.
Song Yaoming	Chief Accountant	Current	Male	57	February 6, 2022	September 8, 2024	0	0	0	0	0	
	Deputy General Manager				April 21, 2022	September 8, 2024						

	and Secretary of the Board of Directors											
Tang Haiyuan	Deputy General Manager	Current	Male	51	September 29, 2019	September 8, 2024	210,000	0	52,500	-49,950	107,550	1. Reduced 52,500 shares due to personal financial needs; 2. The Company has completed the repurchase and cancellation of some A-share restricted shares it holds that have not met the performance conditions for lifting restrictions at the company level, resulting in a decrease of 49,950 shares.
Xiao Zhanglin	Director	Resigned	Male	48	September 20, 2017	December 11, 2023	0	0	0	0	0	
Zheng Qiyuan	Chairman of the Board of Supervisors	Resigned	Male	61	March 8, 2021	December 28, 2023	0	0	0	0	0	
	Supervisor				February 24, 2021	December 28, 2023						
Cao Zhen	Supervisor	Resigned	Female	53	February 24, 2021	December 28, 2023	0	0	0	0	0	
Total	--	--	--	--	--	--	1,339,040	0	262,500	-249,750	826,790	--

Is there any situation where Directors and Supervisors have resigned and Senior Officers have been dismissed during their term of office during the reporting period

In December 2023, Mr. Xiao Zhanglin, Non-independent Director of the Company, resigned from his position as a Non-independent Director of the 10th Board of Directors and member of the Special Committee of the Board of Directors due to work reasons. After resigning, he will not hold any position in the Company; Mr. Zheng Qiyuan, Non-employee Representative Supervisor and Chairman of the Company's Board of Supervisors, and Ms. Cao Zhen, Non-employee Representative Supervisor, resigned from the aforementioned positions in the 10th Board of Supervisors due to work reasons. After resigning, they will not hold any positions in the Company.

During the reporting period, the Company has completed the work of filling the vacancies of Directors and Supervisors in accordance with relevant laws and regulations.

Changes in Directors, Supervisors, and Senior Officers of the Company

Name	Position	Type	Date	Reason
Guo Gaohang	Director	Elected	December 28, 2023	Elected as the Non-independent Director of the 10th Board of Directors at the 16th Meeting of the 10th Board of Directors and the 3rd Extraordinary General Meeting in 2023.
Hu Min	Supervisor	Elected	December 28, 2023	Elected as a Non-employee Representative Supervisor of the 10th Board of Supervisors at the 14th Meeting of the 10th Board of Supervisors and the 3rd Extraordinary General Meeting in 2023.
Hu Min	Chairman of the Board of Supervisors	Elected	January 4, 2024	Elected as the Chairman of the 10th Board of Supervisors at the 15th Meeting of the 10th Board of Supervisors.
Yuan Tianbo	Supervisor	Elected	December 28, 2023	Elected as a Non-employee Representative Supervisor of the 10th Board of Supervisors at the 14th Meeting of the 10th Board of Supervisors and the 3rd Extraordinary General Meeting in 2023.
Xiao Zhanglin	Director	Resigned	December 11, 2023	Resigned from the position of Non-independent Director of the 10th Board of Directors due to work reasons.
Zheng Qiyuan	Chairman of the Board of Supervisors, Supervisor	Resigned	December 28, 2023	Resigned from the position of Supervisor of the 10th Board of Supervisors due to work reasons.
Cao Zhen	Supervisor	Resigned	December 28, 2023	Resigned from the position of Supervisor of the 10th Board of Supervisors due to work reasons.

2. Employment situation

Professional backgrounds, main work experiences, and current main responsibilities of the current Directors, Supervisors, and Senior Officers of the Company.

Mr. Zhang Xuhua, born in March 1977, holds a Master of Business Administration from Xi'an Jiaotong University and an EMBA from China Europe International Business School. He is currently the Chairman of the Company. He once served as the Managing Director, Deputy General Manager, Assistant General Manager, General Manager of the Shopping Center Business Department, General Manager of Chengdu Branch, General Manager of the Commodity Center, General Manager of the Dreams-on Department Store, Manager of the Procurement Department, Head of the Investment Promotion Department of Rainbow Digital Commercial Co., Ltd., and employee of the Marketing Department of Vanke Industry Co., Ltd.

Mr. Xiao Yi, born in March 1974, holds an MBA degree from the School of Economics and Management of Beihang University. He is currently a Director of the Company, Head of the Party Committee Organization Department/Human Resources Department of AVIC International Holding Corporation, Director of Tianma Microelectronics Co., Ltd., and Director of Shennan Circuit Co.,

Ltd. He once served as the Project Manager of the Technology Transfer Center of BUAA Holdings Co., Ltd., Supervisor Business Manager of the Manager Department, Assistant Director of the Administrative Management Department, Deputy Head and Head of the Comprehensive Management Department of AVIC International Holding Corporation.

Mr. Li Peiyin, born in September 1986, is a certified public accountant and senior accountant. He holds a Master's Degree in Accounting from Xiamen University and an MBA from Missouri State University. He is currently a Director of the Company, Head of the Finance Management Department of AVIC International Holding Corporation, Director of Rainbow Digital Commercial Co., Ltd., Director of Shennan Circuit Co., Ltd., and Director of Tianma Microelectronics Co., Ltd. He once served as the Business Manager, Assistant Head, and Deputy Head of the Finance Management Department of AVIC International Holding Corporation.

Mr. Deng Jianghu, born in July 1984, holds a Master's Degree in Business Administration from Northeast Normal University. He is currently a Director of the Company, Head of the Business Management Department of AVIC International Holding Corporation, Director of AVIC Supply Corporation, Director of AVIC International Holding (Zhuhai) Corporation, Director of Tianma Microelectronics Co., Ltd., Director of Shennan Circuit Co., Ltd., Director of Rainbow Digital Commercial Co., Ltd., and Director of AVIC Huadong Optoelectronics Co., Ltd. He once served as the Deputy Head of the Planning and Development Department and the Business Management Department of AVIC International Holding Corporation (in charge of work), Deputy Manager and Manager of the Planning and Operations Department of the Company, Head of the Modern Service Industry Office of AVIC Shenzhen Co., Ltd., Senior Project Manager of the Business Management Department of AVIC International Holding Corporation, and Senior Strategic Operations and Management Project Manager of the Strategic Development Department of Shennan Circuit Co., Ltd.

Mr. Guo Gaohang, born in March 1987, holds a Master's Degree in Materials Physics and Chemistry from Harbin Institute of Technology. He is currently a Director of the Company, Deputy Head of the Planning and Development Department of AVIC International Holding Corporation (in charge of work), Director of Castic-SMP Machinery Corp., Ltd, Director of AVIC Supply Corporation, and Director of Tianma Microelectronics Co., Ltd. He once served as the Assistant Head of the Planning and Development Department and Assistant Head of the Business Management Department of AVIC International Holding Corporation, Strategic Operations and Management Project Manager of the Planning and Operations Department of AVIC Shenzhen Co., Ltd., Semiconductor Industry Analyst and Senior Semiconductor Industry Analyst of Trend Force (Shenzhen) Co., Ltd., and Sealing and Testing Process Design Engineer at Shenzhen STS Microelectronics Co., Ltd.

Mr. Pan Bo, born in March 1976, is an engineer. He holds a Bachelor's Degree in Mechanical and Electrical Engineering from Beihang University and an EMBA from China Europe International Business School. He is currently the Managing Director of the Company. He once served as the Deputy General Manager, Secretary of the Board of Directors, and Assistant General Manager of the Company, as well as the General Manager, Deputy General Manager, Assistant General Manager, Manager of the Sales Department, Manager of the Logistics Department, and Manager of the After Sales Department of FIYTA Sales Co., Ltd.

Mr. Wang Jianxin, born in June 1970, is a certified public accountant and holds a Bachelor's Degree in Auditing from Zhongnan University of Economics and Law. He is currently an Independent Director of the Company, partner of ShineWing CPAs (Special General Partnership), Independent Director of Shenzhen MeHow Chuangyi Medical Technology Co., Ltd., and Independent Director of Fortior Technology (Shenzhen) Co., Ltd.

Mr. Zhong Hongming, born in January 1975, holds a Doctorate in Civil and Commercial Law from Renmin University of China and a Postdoctoral Degree in Civil and Commercial Law from Southwest University of Political Science and Law. He is currently an Independent Director of the Company, an Associate Researcher at the Law Research Institute of Sichuan Academy of Social

Sciences, an Independent Director of Chengdu Shengbang Seals Co., Ltd., and also serves as a Director of the China Commercial Law Society, a Director of the Institute of Securities Law of CLS, and the Secretary General of the Commercial Law Society of Sichuan Law Society.

Mr. Tang Xiaofei, born in May 1974, holds a Doctorate in Management from Southwest Jiaotong University. He is currently an Independent Director of the Company, Professor and Doctoral Supervisor at the School of Business Administration at Southwest University of Finance and Economics, Director of the Institute of Urban Brand Strategy at Southwest University of Finance and Economics, an outstanding talent in the new century recognized by the Ministry of Education, Director of the China Marketing Association, and Independent Director of Qianhe Condiment and Food Co., Ltd.

Ms. Hu Min, born in May 1985, is an economist and holds a Master's Degree in Civil Procedure Law from Peking University. She is currently the Chairman of the Board of Supervisors of the Company, Head and Chief Auditor of the Audit and Legal Department of AVIC International Holding Corporation. She formerly served as the Deputy Head and Chief Auditor of the Audit and Legal Department of AVIC International Holding Corporation, Deputy Head of the Audit and Legal Department, General Counsel of China National Aero-technology International Engineering Corporation and General Manager of the Legal Affairs and Discipline Inspection Audit Department, Deputy General Counsel and General Manager of the Legal Affairs and Contract Management Department, General Manager of the Legal Affairs and Contract Management and Audit Supervision Department, and Deputy General Manager of the Legal Affairs and Contract Management Department, Legal Advisor of the Legal Affairs Department of AVIC International Holding Corporation.

Mr. Yuan Tianbo, born in October 1980, is an economist and holds a Master's Degree in Management Science and Engineering from Northwestern Polytechnical University. He is currently a Supervisor of the Company, and Deputy Head of the Department of Discipline Inspection of AVIC International Holding Corporation (in charge of work). He formerly served as the Deputy General Manager (in charge of work) and Assistant General Manager of Oriental Jade Co., Ltd., General Manager and Deputy General Manager of Qinghai AVIC, Director of the Administrative and Human Resources Department and Director of the Expansion Department of Oriental Jade Co., Ltd., Organization and Performance Management of the Human Resources Department of AVIC International Holding Corporation, and Recruitment Management of the Human Resources Department of AVIC Shenzhen Co., Ltd.

Ms. Hu Jing, born in September 1971, is an accountant and holds a Bachelor's Degree in Accounting from Jiangxi University of Finance and Economics. She is currently an Employee Representative Supervisor of the Company and Senior Tax Manager of the Finance Department. She formerly served as the Senior Business Manager of the Audit Department, Tax Supervisor of the Finance Department, and Fund Manager of the Company.

Mr. Lu Wanjun, born in February 1967, is an accountant and holds an EMBA degree from China Europe International Business School. He is currently a Deputy General Manager and General Counsel of the Company. He formerly served as the Assistant General Manager of the Company, Executive Deputy General Manager, Deputy General Manager, Assistant General Manager, and Manager of the Finance Department of Shenzhen Harmony World Watch Center Co., Ltd.

Mr. Liu Xiaoming, born in July 1971, is an engineer and economist, and holds a Bachelor's Degree in Manufacturing Engineering from Beihang University and an EMBA degree from China Europe International Business School. He is currently a Deputy General Manager of the Company. He formerly served as the General Manager Assistant of the Company, Deputy General Manager and Assistant General Manager of Shenzhen Harmony World Watch Center Co., Ltd.

Mr. Li Ming, born in September 1973, holds a Bachelor's Degree in Marketing from Zhongnan University of Economics and Law and an EMBA degree from China Europe International Business School. He is currently a Deputy General Manager of the Company. He formerly served as the Assistant General Manager and HR Director of the Company, Deputy General Manager, Assistant General Manager and Manager of Human Resources Department of Shenzhen Harmony World Watch Center Co., Ltd.;

HR Director and General Manager of Marketing Center of China Netcom Shenzhen Company; Key Account Manager and Marketing Planning Manager of China Telecom Shenzhen Company.

Mr. Song Yaoming, born in July 1967, is a senior accountant, and holds a Master's Degree in Economics from Shaanxi Institute of Finance & Economics and an EMBA degree from China Europe International Business School. He is currently the Chief Accountant, Deputy General Manager, and Secretary of the Board of Directors of the Company. He formerly served as the Deputy General Manager and Chief Accountant of Rainbow Digital Commercial Co., Ltd., Director of Shenzhen Aoxuan Investment Co., Ltd., Director of Shenzhen Aoer Investment Development Co., Ltd., and Deputy Manager and Accountant of the Finance Department of Shenyang FAW Jinbei Automobile Co., Ltd.

Mr. Tang Haiyuan, born in February 1973, is a senior engineer, and holds a Bachelor's Degree in Plastic Molding Technology and Equipment from Hefei University of Technology and an EMBA degree from China Europe International Business School. He is currently a Deputy General Manager of the Company. He formerly served as the General Manager, Deputy General Manager, Assistant General Manager, Manager of the Quality Department, Manager and Deputy Manager of the Engineering Technology Department of Shenzhen FIYTA Precision Timing Manufacturing Co., Ltd., as well as the Assistant Technical General Manager and Manager of Technical Department of Shenzhen FIYTA Technology Development Co., Ltd.

Employment in shareholder units

Name of employee	Name of shareholder units	Position held in shareholder units	From	To	Whether or not remuneration allowance is received from shareholder units
Xiao Yi	AVIC International Holding Corporation	Head of Party Committee Organization Department/Human Resources Department	January 18, 2021		Yes
Li Peiyin	AVIC International Holding Corporation	Head of the Finance Management Department	February 28, 2022		Yes
Deng Jianghu	AVIC International Holding Corporation	Head of the Business Management Department	August 28, 2023		Yes
Guo Gaohang	AVIC International Holding Corporation	Deputy Head of the Planning and Development Department (in charge of work)	October 9, 2023		Yes
Hu Min	AVIC International Holding Corporation	Head of the Audit and Legal Department	August 28, 2023		Yes
Hu Min	AVIC International Holding Corporation	Chief Auditor	June 26, 2023		
Yuan Tianbo	AVIC International Holding Corporation	Deputy Head of the Discipline Inspection Department (in charge of work)	May 29, 2023		Yes
Explanation of employment in	Not applicable				

shareholder units	
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Employment in other units

Name of employee	Name of other units	Position held in other units	From	To	Whether or not remuneration allowance is received from other units
Xiao Yi	Tianma Microelectronics Co., Ltd.	Director	February 26, 2021		No
	Shennan Circuit Co., Ltd.	Director	April 6, 2021		No
Li Peiyin	Rainbow Digital Commercial Co., Ltd.	Director	February 24, 2021		No
	Shennan Circuit Co., Ltd.	Director	April 6, 2021		No
	Tianma Microelectronics Co., Ltd.	Director	July 8, 2022		No
Deng Jianghu	AVIC Supply Corporation	Director	July 19, 2021		No
	AVIC International Holding (Zhuhai) Corporation	Director	December 27, 2021		No
	Tianma Microelectronics Co., Ltd.	Director	November 29, 2021		No
	Shennan Circuit Co., Ltd.	Director	April 7, 2022		No
	Rainbow Digital Commercial Co., Ltd.	Director	September 9, 2022		No
	AVIC Huadong Optoelectronics Co., Ltd.	Director	November 27, 2023		No
Guo Gaohang	Castic-SMP Machinery Corp., Ltd	Director	June 28, 2021		No
	AVIC Supply Corporation	Director	November 27, 2023		No
	Tianma Microelectronics Co., Ltd.	Director	March 6, 2024		No
Wang Jianxin	ShineWing CPAs (Special General Partnership)	Partner	December 1, 2006		Yes
	Shenzhen MeHow Chuangyi Medical Technology Co., Ltd.	Independent Director	February 23, 2023		Yes
	Fortior Technology (Shenzhen) Co., Ltd.	Independent Director	June 16, 2020		Yes
Zhong Hongming	Law Research Institute of Sichuan Academy of Social Sciences	Associate Researcher	November 24, 2017		Yes
	Chengdu Shengbang Seals Co., Ltd.	Independent Director	November 17, 2022		Yes
Tang Xiaofei	School of Business Administration at Southwest University of Finance and Economics	Professor and Doctoral Supervisor	September 1, 2008		Yes
	Qianhe Condiment and Food Co., Ltd.	Independent Director	November 30, 2022		Yes
Explanation of employment in other units	Not applicable				

Penalties imposed by securities regulatory authorities in the past three years on the Company's current and departing Directors, Supervisors, and Senior Officers during the reporting period

Not applicable

3. Remuneration of Directors, Supervisors, and Senior Officers

Decision-making process, determination basis, and actual payment of remuneration for Directors, Supervisors, and Senior Officers

The remuneration of internal Directors and Senior Officers of the Company is based on an annual salary system, with an annual salary structure of basic annual salary and performance-based annual salary. The remuneration of internal Directors is implemented after approval by the General Meeting, and the remuneration of Senior Officers is implemented after approval by the Board of Directors. The assessment of Senior Officers is carried out in accordance with the Management Measures for Performance Assessment of Management Members and the Management Measures for Remuneration of Management Members of the Company.

Except for Independent Directors who receive allowances in the Company, other external Directors and Non-employee Representative Supervisors do not receive remuneration in the Company. The remuneration of Employee Representative Supervisors shall be implemented in accordance with the Company's employee remuneration management measures.

Remuneration of Directors, Supervisors, and Senior Officers during the reporting period

Unit: RMB ten thousand

Name	Position	Gender	Age	Employment status	Total pre-tax remuneration received from the Company	Whether to receive remuneration from related parties of the Company
Zhang Xuhua	Chairman	Male	47	Current	198.35	No
Xiao Yi	Director	Male	50	Current		Yes
Li Peiyin	Director	Male	38	Current		Yes
Deng Jianghu	Director	Male	40	Current		Yes
Guo Gaohang	Director	Male	37	Current		Yes
Pan Bo	Managing Director	Male	48	Current	187.49	No
Wang Jianxin	Independent Director	Male	54	Current	9	No
Zhong Hongming	Independent Director	Male	49	Current	9	No
Tang Xiaofei	Independent Director	Male	50	Current	9	No
Hu Min	Chairman of the Board of Supervisors	Female	39	Current		Yes
Yuan Tianbo	Supervisor	Male	44	Current		Yes
Hu Jing	Supervisor	Female	53	Current	37.46	No
Lu Wanjun	Deputy General Manager and General Counsel	Male	57	Current	185.79	No
Liu Xiaoming	Deputy General Manager	Male	53	Current	229.61	No
Li Ming	Deputy General Manager	Male	51	Current	180.31	No
Song Yaoming	Chief Accountant, Deputy General Manager and Secretary of the Board of Directors	Male	57	Current	185.82	No
Tang Haiyuan	Deputy General	Male	51	Current	191.42	No

	Manager					
Xiao Zhanglin	Director	Male	48	Resigned		Yes
Zheng Qiyuan	Chairman of the Board of Supervisors	Male	61	Resigned		Yes
Cao Zhen	Supervisor	Female	53	Resigned		Yes
Total	--	--	--	--	1,423.25	--

VI. Performance of duties by Directors during the reporting period

1. Situation of the Board of Directors during this reporting period

Sessions	Date	Disclosure date	Resolution
The 11th Meeting of the 10th Board of Directors	March 16, 2023	March 18, 2023	Please refer to the Announcement on the Resolutions of the 11th Meeting of the 10th Board of Directors 2023-007 disclosed by the Company on CNINF.
The 12th Meeting of the 10th Board of Directors	April 21, 2023	April 25, 2023	The meeting considered and approved the Company's 2023 Q1 Report.
The 13th Meeting of the 10th Board of Directors	May 15, 2023	May 16, 2023	Please refer to the Announcement on the 13th Meeting of the 10th Board of Directors 2023-025 disclosed by the Company on CNINF.
The 14th Meeting of the 10th Board of Directors	August 21, 2023	August 23, 2023	Please refer to the Announcement on the 14th Meeting of the 10th Board of Directors 2023-044 disclosed by the Company on CNINF.
The 15th Meeting of the 10th Board of Directors	October 19, 2023	October 21, 2023	The meeting considered and approved the Company's 2023 Q3 Report.
The 16th Meeting of the 10th Board of Directors	December 11, 2023	December 13, 2023	Please refer to the Announcement on the Resolutions of the 16th Meeting of the 10th Board of Directors 2023-062 disclosed by the Company on JCNINF.

2. Attendance of Directors at the meetings of the Board of Directors and the General Meetings

Attendance of Directors at the meetings of the Board of Directors and the General Meetings							
Name of Director	Number of attendances required at the meetings of the Board of Directors during this reporting period	Number of on-site attendances at the meetings of the Board of Directors	Number of attendances at the meetings of the Board of Directors through communication	Number of entrusted attendances at the meetings of the Board of Directors	Number of absences from the meetings of the Board of Directors	Have you not personally attended the meetings of the Board of Directors for two consecutive times	Number of attendances at the General Meetings
Zhang Xuhua	6	2	4	0	0	No	4
Xiao Yi	6	1	5	0	0	No	0
Li Peiyin	6	1	5	0	0	No	0
Deng Jianghu	6	0	6	0	0	No	0
Guo Gaohang	0	0	0	0	0	No	0
Pan Bo	6	2	4	0	0	No	1
Wang Jianxin	6	2	4	0	0	No	4
Zhong	6	1	5	0	0	No	0

Hongming							
Tang Xiaofei	6	1	5	0	0	No	0
Xiao Zhanglin (Resigned)	5	0	5	0	0	No	0

Explanation of not attending the meetings of the Board of Directors for two consecutive times

Not applicable

3. Objections raised by Directors regarding matters related to the Company

Whether the Directors have raised any objections regarding matters related to the Company

No

4. Other explanations on the performance of duties by Directors

Whether the Director's suggestions to the Company have been adopted

Yes

Explanation on whether the Director's suggestions to the Company have been adopted or not

During the reporting period, the Board of Directors fully played the role of "setting strategies, making decisions, and preventing risks", and the Company's Directors strictly followed the provisions of laws and regulations such as the Company Law and the Code of Governance for Listed Companies, as well as the Articles of Association, attended meetings of the Board of Directors on time, diligently and responsibly performed their duties and exercised rights as Directors, and thoroughly considered, provided suggestions on, and voted on resolutions of the Board of Directors. The Company fully considered and adopts the constructive opinions proposed by the Directors on the development strategy, business decision-making, internal control management, and other aspects.

VII. The situation of special committees under the Board of Directors during the reporting period

Name	Members	Number of meetings held	Date	Meeting content	Important opinions and suggestions put forward	Other performance of duties	Specific situation of objection matters (if any)
Strategic Committee	Chairman: Zhang Xuhua Members: Deng Jianghu, Pan Bo, Tang Xiaofei, Xiao Zhanglin (resigned)	1	March 16, 2023	It considered and approved the 2022 Work Report of the Board of Directors.	All members strictly followed relevant laws and regulations in their work, diligently and responsibly communicated and discussed the content of the proposals, and		

					unanimously passed the relevant proposals.		
Audit Committee	Chairman: Wang Jianxin Members: Li Peiyin, Zhong Hongming, Tang Xiaofei, Xiao Zhanglin (resigned)	4	March 16, 2023	It considered and approved the Company's 2022 annual report, 2022 profit distribution, 2022 internal control and self-assessment report, 2022 internal audit work report, the plan to repurchase some domestically listed foreign shares (B-shares) and other proposals.	All members of the committee strictly followed relevant laws and regulations in their work, diligently and responsibly communicated and discussed the contents of the Company's internal and external audit work, internal control management, and share repurchase plan, and unanimously approved the relevant proposals.		
			April 21, 2023	Deliberated and approved the Company's 2023 Q1 Report and the 2023 Q1 Audit Work Report of the Discipline Inspection, Audit, and Legal Department.			
			August 21, 2023	Deliberated and approved the Company's 2023 Semi-annual Report and abstract, capital increase to wholly-owned subsidiaries, and the 2023 Q2 Audit Work Report			

				of the Discipline Inspection, Audit, and Legal Department.			
			October 19, 2023	Deliberated and approved the Company's Q3 Report and the 2023 Q3 Audit Work Report.			
Nomination, Compensation and Assessment Committee	Chairman: Zhong Hongming Members: Xiao Yi, Wang Jianxin, Tang Xiaofei, Xiao Zhanglin (resigned)	4	March 16, 2023	Deliberated and approved the proposal on the remuneration of Directors and Senior Officers for 2022, as well as the repurchase and cancellation of some restricted shares	All members of the committee strictly followed relevant laws and regulations in their work, diligently and responsibly reviewed and approved the remuneration plan for Directors and Senior Officers, the implementation of the Company's restricted share incentive scheme, and the qualifications of candidates for Non-independent Directors. They fully communicated and discussed the content of the proposal, and unanimously passed the relevant proposals.		
			May 15, 2023	Deliberated and approved the proposal on repurchasing and canceling some restricted shares			
			August 21, 2023	Deliberated and approved the proposal on repurchasing and canceling some restricted shares			
	December 11, 2023		Deliberated and approved the proposal on change in non-independent Directors				
	Chairman: Zhong Hongming Members: Xiao Yi, Wang Jianxin, Tang Xiaofei						

VIII. Work of the Board of Supervisors

During the reporting period, the Board of Supervisors discovered any risks in the Company's supervisory activities

No

IX. Employees

1. Number, professional composition and education background

Number of current employees of the parent company at the end of the reporting period (person)	200
Number of employees in major subsidiaries at the end of the reporting period (person)	4,038
Total number of in-service employees at the end of the reporting period (person)	4,238
Total number of employees receiving salary in the current period (person)	4,238
Number of retired employees whose expenses need to be borne by the parent company and major subsidiaries (person)	0
Professional composition	
Professional composition category	Number of professional members (person)
Production personnel	338
Sales personnel	2,964
Technical personnel	333
Financial personnel	114
Administrative personnel	489
Total	4,238
Education background	
Education background	Quantity (person)
Master's degree or above	77
Undergraduate	791
Junior college	1,309
Below junior college	2,061
Total	4,238

2. Remuneration

Based on business development planning and management practices, the Company adheres to the core concept of value creation, follows the principles of hierarchical management, budget regulation, performance orientation, efficiency priority, fairness, positive incentives and long-term focus to formulate remuneration policies. Continuously establish and improve a salary system based on annual salary assessment for middle and senior management personnel, performance-based salary system for employee positions, and a joint production and efficiency remuneration system for production and operation personnel, and implement the following management measures:

Management of total salary: Based on the annual business plan, conduct an annual remuneration budget, comprehensively consider factors such as market salary level, organizational efficiency improvement, and talent team adjustment to regulate the total salary, and achieve management goals of benefit orientation, positive incentives, classified management and adjustment of distribution;

Classified and hierarchical management: Establish a differentiated job rank system based on job characteristics, and establish a standardized remuneration framework that matches market conditions on this basis;

Value orientation, co-creation and sharing: The Company designs an incentive system based on a closed-loop value chain of value creation, evaluation, and distribution. By establishing a value evaluation system and real-time incentive system that is consistent with strategic development goals, it has formed an incentive mechanism where remuneration follows the Company's benefits and individual performance, with incremental remuneration tilted towards core key positions and outstanding talents.

3. Training plan

Talents are the primary productive force for the development of a company. The Company attaches great importance to the development and training of talents. In order to cultivate a high-quality talent team, support the implementation of the company's strategy, and create an organizational learning atmosphere, the Company has formulated the Employee Training Management System, established a comprehensive and systematic employee training system and training management system, and built an online learning platform+offline training center to provide continuous growth space for employees. For details, please refer to Chapter V Training Development on Employee in the Company's Environmental, Social, and Governance (ESG) Report 2023 disclosed on CNINF on March 14, 2024.

4. Labor outsourcing

Not applicable

X. The Company's profit distribution and conversion of capital reserves into share capital

The development, implementation, or adjustment of profit distribution policies, especially for cash dividend policies, during the reporting period

The 2022 profit distribution plan of the Company has been deliberated and approved at the 11th Meeting of the 10th Board of Directors held on March 16, 2023, and the 2022 Annual General Meeting held on April 26, 2023. The resolution is to distribute a cash dividend of RMB 2.50 (including tax) to all shareholders for every 10 shares, based on the total number of shares on the equity registration date of the profit distribution plan, after deducting the number of shares in the special repurchase securities account. A total of cash dividends of no more than RMB 104,406,990.00 will be distributed, with 0 bonus shares to be issued and without capital increase through conversion of provident fund.

During the period from disclosure to implementation of this equity distribution plan, the Company repurchased a total of 996,872 B-shares through a special repurchase securities account. The Company distributes cash dividends of RMB 2.50 (including tax) to all shareholders for every 10 shares based on 416,631,088 shares of distributable share capital (total share capital of 417,627,960 shares on the equity registration date, excluding 996,872 repurchased B-shares). The actual total amount of cash dividends to be distributed is RMB 104,157,772.00.

The profit distribution plan was implemented on June 19, 2023. Please refer to the 2022 Equity Distribution Implementation Announcement 2023-035 disclosed by the Company on CNINF.

Special Explanation on Cash Dividend Policy	
Whether it complies with the Articles of Association or the resolutions of the General Meeting:	Yes
Are the dividend standards and ratios clear and explicit:	Yes
Are the relevant decision-making processes and mechanisms complete	Yes
Whether Independent Directors have fulfilled their duties and played their due role:	Yes
If the Company does not distribute cash dividends, specific reasons, as well as the measures to be taken to enhance investor returns should be disclosed:	Not applicable
Whether small and medium-sized shareholders have sufficient opportunities to express their opinions and demands, and have their legitimate rights and interests been fully protected:	Yes

Whether the conditions and procedures for adjusting or changing cash dividend policies are compliant and transparent:	Not applicable
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During the reporting period, the Company was profitable and the parent company had a positive profit available for shareholder distribution, but no cash dividend distribution plan was proposed

Not applicable

Profit distribution and conversion of capital reserve to share capital during this reporting period

Number of dividend shares per 10 shares (shares)	0
Dividend payout per 10 shares (RMB) (including tax)	4.00
Distribution plan's share capital base (shares)	The total number of share capital on the equity registration date when the profit distribution plan is implemented in the future (excluding shares in the special repurchase securities account)
Cash dividend amount (RMB) (including tax)	166,087,988.00
Cash dividend amount in other ways (such as repurchase of shares) (RMB)	64,340,669.42
Total cash dividends (including other methods) (RMB)	230,428,657.42
Distributable profit (RMB)	1,063,629,83.35
The proportion of total cash dividends (including other methods) to total profit distribution	100%
Current cash dividend	
Other	
Detailed explanation of profit distribution or capital-reserve conversion plan	
<p>The 2023 profit distribution plan of the Company has been deliberated and approved at the 18th Meeting of the 10th Board of Directors held on March 12, 2024. It is proposed to distribute a cash dividend of RMB 4.00 (including tax) to all shareholders for every 10 shares based on the total number of registered share capital on the future implementation of the profit distribution plan (excluding shares in the special repurchase securities account), with 0 bonus shares to be issued and without capital increase through conversion of provident fund.</p> <p>If there is a change in the total share capital of the Company from the disclosure of this profit distribution plan to its implementation, the Company plans to adjust the total distribution amount according to the principle of fixed distribution ratio.</p> <p>The profit distribution plan for this time needs to be deliberated and approved by the General Meeting before implementation.</p>	

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

1. Equity incentives

(1) Restricted share incentive scheme (Phase I)

The Company decided to launch the restricted share incentive scheme (Phase I) at the 3rd Meeting of the 9th Board of Directors held on November 12, 2018 and the 1st Extraordinary General Meeting held on January 11, 2019. After deliberation and approval at the 5th Meeting of the 9th Board of Directors held on January 11, 2019, the Company ultimately granted 4.224 million A-share restricted shares to 128 incentive objects, with a grant price of RMB 4.40/share, which were granted and registered for listing on January 30, 2019. For details, please refer to the relevant announcement disclosed on the CNINF on January 12, 2019. The specific implementation during the reporting period is as follows:

After deliberation and approval by the 10th Meeting of the 10th Board of Directors of the Company, the Company's restricted share incentive scheme (Phase I) has met the third condition for lifting restrictions of the period. The 1,162,320 A-share restricted shares involved in lifting the restrictions have been listed and circulated on January 31, 2023. Please refer to the relevant announcement disclosed by the Company on CNINF on January 19, 2023.

As of the end of the reporting period, the Company's restricted share incentive scheme (Phase I) has met three conditions for lifting restrictions of the period. The three batches of A-share restricted shares involved in lifting restrictions have been lifted from restrictions and listed for circulation.

(2) Restricted share incentive scheme (Phase II)

The Company decided to launch the restricted share incentive scheme (Phase II) at the 23rd Meeting of the 9th Board of Directors held on December 4, 2020 and the 1st Extraordinary General Meeting held on January 6, 2021. After being reviewed and approved at the 25th Meeting of the 9th Board of Directors held on January 15, 2021, the Company finally granted 7.66 million A-shares of restricted stock to 135 incentive objects, with a grant price of RMB 7.60/share, which were granted and registered for listing on January 29, 2021. For specific details, please refer to the relevant announcement disclosed on CNINF on January 16, 2021. The specific implementation during the reporting period is as follows:

After deliberation and approval at the 10th Meeting of the 10th Board of Directors of the Company, the Company has met the first condition for lifting the restriction for the Company's restricted share incentive scheme (Phase II). The 2,274,390 A-share restricted shares involved in lifting the restriction have been listed and circulated on January 31, 2023. Please refer to the relevant announcement disclosed by the Company on CNINF on January 19, 2023.

After deliberation and approval by the 11th Meeting of the 10th Board of Directors and the 2022 Annual General Meeting, the Company has decided to repurchase and cancel the 146,740 A-share restricted shares held by the four former incentive objects who have resigned, which have been granted but have not yet lifted the restrictions; Considering that the Company has not met the second company-level performance condition for lifting restrictions during the restricted share incentive scheme (Phase II), the Company has decided to repurchase and cancel 2,201,130 A-share restricted stocks that have not met the conditions for lifting restrictions. The above-mentioned shares have all been deregistered. Please refer to the relevant announcements disclosed by the Company on CNINF on March 18, 2023, April 27, 2023, and July 8, 2023.

After deliberation and approval by the 13th Meeting of the 10th Board of Directors and the 1st Extraordinary General Meeting in 2023, the Company has decided to repurchase and cancel 13,360 restricted A-share restricted shares held by one former incentive object who has resigned and has been granted but not yet lifted the restrictions. Please refer to the relevant announcements disclosed by the Company on CNINF on May 16, 2023, June 1, 2023, and August 2, 2023.

After deliberation and approval by the 14th Meeting of the 10th Board of Directors and the 2nd Extraordinary General Meeting in 2023, the Company has decided to repurchase and cancel the 46,760 restricted A-shares collectively held by the two former incentive recipients who have resigned. The said A-shares have been granted but the restrictions have not yet been lifted. Please refer to the relevant announcements disclosed by the Company on August 23, 2023, September 13, 2023, and November 8, 2023, on CNINF.

Equity incentives received by the Directors and Senior Officers

Unit: shares

Name	Position	Number of stock options held at the beginning of the year	Number of newly granted stock options during the reporting period	Number of exercisable shares during the reporting period	Number of exercised shares during the reporting period	Exercise prices of exercised shares during the reporting period (RMB/share)	Number of stock options held at the end of the period	Market price at the end of the reporting period (RMB/share)	Number of restricted stocks held at the beginning of the period	Number of unlocked shares in this period	Number of newly granted restricted stocks during the reporting period	Price for granting restricted shares (RMB/share)	Number of restricted stocks held at the end of the period
Zhang Xuhua	Chairman	0	0	0	0	0	0	0	0	0	0		0
Xiao Yi	Director	0	0	0	0	0	0	0	0	0	0		0
Li Peiyin	Director	0	0	0	0	0	0	0	0	0	0		0
Deng Jianghu	Director	0	0	0	0	0	0	0	0	0	0		0
Guo Gaohang	Director	0	0	0	0	0	0	0	0	0	0		0
Pan Bo	Managing Director	0	0	0	0	0	0	0	176,720	76,670	0		50,100
Wang Jianxin	Independent Director	0	0	0	0	0	0	0	0	0	0		0
Zhong Hongming	Independent Director	0	0	0	0	0	0	0	0	0	0		0
Tang Xiaofei	Independent Director	0	0	0	0	0	0	0	0	0	0		0
Lu Wanjun	Deputy General Manager and General Counsel	0	0	0	0	0	0	0	176,720	76,670	0		50,100
Liu Xiaoming	Deputy General Manager	0	0	0	0	0	0	0	176,720	76,670	0		50,100

Li Ming	Deputy General Manager	0	0	0	0	0	0	0	176,720	76,670	0		50,100
Song Yaoming	Chief Accountant, Deputy General Manager and Secretary of the Board of Directors	0	0	0	0	0	0	0	0	0	0		0
Tang Haiyuan	Deputy General Manager	0	0	0	0	0	0	0	170,040	69,990	0		50,100
Xiao Zhanglin	Director (resigned)	0	0	0	0	0	0	0	0	0	0		0
Total	--	0	0	0	0	--	0	--	876,920	376,670	0	--	250,500
Notes (if any)	Given the failure to lift the selling restrictions at the Company level during the second lifting restriction period of the Restricted Share Incentive Scheme Phase II, the Company has completed the repurchase and cancellation of restricted A-shares that have not reached the lifting restriction conditions, and the number of the said restricted A-shares has been deducted from the quantity of restricted stocks held by the relevant Directors and Senior Officers at the end of the period.												

The evaluation mechanism and incentives for Senior Officers

To establish a sound incentive and constraint mechanism for Senior Officers, fully leverage and mobilize the work enthusiasm of the Company's Senior Executives, improve the Company's operational ability and economic benefits, and ensure the achievement of the Company's strategic goals, the Company continuously improves the term system and contractual management of Senior Executives, conducts annual/term-based performance assessments, and continuously promotes the implementation of rigid rewards and punishments based on assessment results, use additional income as the strong incentives and hard constraints, adhere to performance orientation, and strengthen effective incentives through precise assessment.

2. Implementation status of employee stock ownership plan

Not applicable

3. Other employee incentive measures

Not applicable

XII. Construction and implementation of the internal control system during the reporting period

1. Construction and implementation of the internal control system

To strengthen the internal control, promote standardized operation and healthy development of the Company, and protect the legitimate rights and interests of shareholders, the Company has established, improved, and effectively implemented its internal control system by laws and regulations of the Company Law and the Securities Law.

During the reporting period, the Company continued to promote the integration and optimization of internal control, risk management, and compliance management supervision, and there were no major or significant deficiencies in internal control.

2. Specific conditions of major internal control deficiencies discovered during the reporting period

No

XIII. Management and control of subsidiaries by the Company during the reporting period

Not applicable

XIV. Internal control evaluation report or internal control audit report

1. Internal control evaluation report

Disclosure date of the full text of the internal control evaluation report	March 14, 2024
Disclosure index of the full text of the internal control evaluation report	www.cninfo.com.cn
The proportion of total assets of	100.00%

units included in the evaluation scope to the total assets in the Company's consolidated financial statements		
The proportion of operating revenue of units included in the evaluation scope to the operating revenue in the Company's consolidated financial statements	100.00%	
Defect identification criteria		
Category	Financial reports	Non-financial reporting
Qualitative criteria	<p>(1) This defect involves fraud by Directors, Supervisors, and Senior Officers;</p> <p>(2) Correcting disclosed financial statements;</p> <p>(3) Certified public accountants have discovered significant misstatements in the current financial statements, which were not detected while conducting internal control;</p> <p>(4) The supervision of internal control by the Company's Audit Committee and the Discipline Inspection, Audit, and Legal Department is ineffective.</p>	<p>(1) Serious violations of national laws, administrative regulations, and normative documents;</p> <p>(2) The following matters, namely, the "decision-making on major matters, appointment and removal of important cadres, decisions on investing major projects, and the use of large amounts of funds" have not gone through the collective decision-making process;</p> <p>(3) The serious loss of management and technical personnel in key positions;</p> <p>(4) System control lacks in important business related to the Company's production and operation or the system fails;</p> <p>(5) The failure of internal control over information disclosure has led to the Company being publicly condemned by regulatory authorities;</p> <p>(6) The results of internal control evaluation, especially significant defects or significant deficiencies have not been rectified.</p>
Quantitative standards	<p>(1) Major defect: misreporting \geq 5% of pre-tax profit</p> <p>(2) Important deficiency: 1% of pre-tax profit \leq misreporting $<$ 5% of pre-tax profit</p> <p>(3) General defect: misreporting $<$ 1% of pre-tax profit</p>	<p>(1) Major defect: misreporting \geq 5% of pre-tax profit</p> <p>(2) Important deficiency: 1% of pre-tax profit \leq misreporting $<$ 5% of pre-tax profit</p> <p>(3) General defect: misreporting $<$ 1% of pre-tax profit</p>
Number of major defects in financial reports (entries)	0	
Number of major defects in non-financial reports (entries)	0	
Number of significant defects in financial reports (entries)	0	
Number of significant defects in non-financial reports (entries)	0	

2. Internal control audit report

Column of deliberations in the internal control audit report
We believe that FIYTA Company has maintained effective internal control over financial reporting in all material aspects as of

December 31, 2023, following the Basic Standards for Enterprise Internal Control and relevant regulations.	
Disclosure of internal control audit report	Disclosure
Disclosure date of the full text of the internal control audit report	March 14, 2024
Disclosure index of the full text of the internal control audit report	www.cninfo.com.cn
Types of opinions on internal control audit reports	Standard unqualified opinions
Whether there were significant deficiencies in non-financial reports	No

Did the accounting firm issue an internal control audit report with non-standard opinions

No

Was the internal control audit report issued by the accounting firm consistent with the self-evaluation report of the board of Directors

Yes

XV. Rectification of self-inspection issues in the special action on corporate governance of Listed Companies

The Company has fully completed the self-inspection work following the requirements of the Announcement on Carrying out the Special Action on Corporate Governance of Listed Companies issued by the China Securities Regulatory Commission and has rectified the problems found during the self-inspection. The corporate governance complies with the requirements of laws and regulations of the Company Law, Securities Law, and Code of Conduct for Listed Companies. The governance structure is relatively complete and the operation is standardized.

Section 5 Environmental and Social Responsibility

I. Major environmental issues

Are the listed company and its subsidiaries included in the key polluting units announced by the Environmental Protection Department

No

Administrative penalties imposed due to environmental issues during the reporting period

Not applicable

Refer to other environmental information disclosed by key polluting units

The Company strictly complies with the laws and regulations of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and the Law of the People's Republic of China on Prevention and Control of Water Pollution, and carries out pollutant management work. Its subsidiaries are not classified as key polluting units. The Company has established the Wastewater, Exhaust Gas, Dust, and Noise Control Procedure, Waste Management and Control Procedure, and Chemical Management and Control Procedure internally, and entrusts external qualified institutions to monitor the emission of exhaust gas, slag, wastewater, and noise every year to ensure that the discharge of exhaust gas, slag and wastewater meets emission standards.

On December 31, 2022, Shanghai Watch Co., Ltd., a joint venture of the Company, shut down businesses related to pollution discharge and completed the cancellation of the Sewage Discharge Permission on April 24, 2023. It has been downgraded from a key polluting unit to a general management unit.

Measures taken to reduce its carbon emissions during the reporting period and effects

The Company actively responds to the call of "achieving carbon peak by 2030 and carbon neutrality by 2060", and has developed a Resource and Energy Conservation Control Procedure to conduct daily inspections and controls on resource and energy consumption, explore space for energy conservation and water conservation, encourage all employees to explore the selection and application of energy-saving technologies, and prioritize energy-saving and consumption reducing products when purchasing equipment, such as water-saving faucets, high-energy efficiency household appliances, etc. In terms of the use of raw materials, production auxiliary materials, and office supplies, the Company evaluates the usage before procurement to determine the appropriate purchase quantity and avoid expiration and waste of materials.

Reasons for not disclosing other environmental information

Not applicable

II. Social responsibility situation

For details, please refer to the Company's Environmental, Social, and Governance (ESG) Report 2023 disclosed on CNINF(www.cninfo.com.cn) on March 14, 2024.

III. Consolidate and expand the achievements in poverty alleviation and rural revitalization

During the reporting period, the Company actively responded to the policies of the Central Committee of the Communist Party of China and the State Council on comprehensively promoting rural revitalization, fully leveraged the joint efforts of state-owned enterprises in poverty alleviation by consuming products and services from poor areas, alleviating the problem of unsold farm products in poverty-stricken areas, formulated the Aviation Industry's Rural Revitalization Work Plan 2023, and organized participation in the "State-owned Enterprises' Efforts to Alleviate Poverty through Consumption of Farm Products to Greet the Spring Festival". On the e-commerce platform and the Courtesy · Aviation platform of state-owned enterprises for poverty alleviation through consumption, state-owned enterprises provide targeted assistance through centralized procurement and sales assistance, and pairing assistance to sell county farm products.

Section 6 Important Matters

I. Fulfillment of commitments

1. Commitments that have been fulfilled during the reporting period and commitments that have not been fulfilled as of the end of the reporting period by the actual controller, shareholders, related parties, acquirers of the Company, the Company, and other interested parties

Not applicable

2. If there is a profit forecast on the Company's assets or projects, and the reporting period is still in the profit forecast period, the Company shall explain the reasons for the assets or projects living up to the original profit forecast

Not applicable

II. Non-operating capital occupation by controlling shareholders and other related parties of the listed company

Not applicable

III. Provision of external guarantees in violation of regulations

Not applicable

IV. Explanation by the Board of Directors on the latest Non-standard Audit Report

Not applicable

V. Explanation by the Board of Directors, Board of Supervisors, and Independent Directors (if any) on the Non-standard Audit Report of the accounting firm for the current reporting period

Not applicable

VI. Explanation of changes in accounting policies, estimates, or significant accounting errors compared to the previous year's financial report

Not applicable

VII. Explanation of changes in the scope of consolidated financial statements compared to the previous year's financial report

Not applicable

VIII. Appointment and dismissal of the accounting firm

The accounting firm currently employed

Name	Da Hua CPAs LLP (Special General Partnership)
Remuneration for domestic accounting firms (RMB ten thousand)	120
Continuous years of audit services provided by the domestic accounting firm	3
Name of CPAs	Long Jiao, Wang Dong
Continuous years of audit services provided by CPAs of the domestic accounting firms	3

Whether to hire a new accounting firm in the current accounting period

No

Employment of internal control audit and accounting firms, financial advisors, or sponsors

Deliberated and approved by the 2022 Annual General Meeting, the Company appointed Da Hua CPAs LLP (Special General Partnership) as the auditing body for the Company's financial statements and internal control for the year 2023.

IX. Facing delisting after the disclosure of the annual report

Not applicable

X. Related matters about bankruptcy reorganization

Not applicable

XI. Major litigation and arbitration matters

Not applicable

XII. Punishment and rectification situation

Not applicable

XIII. Integrity status of the Company, its controlling shareholders, and actual controllers

Not applicable

XIV. Significant related transactions

1. Related transactions related to daily operations

Not applicable

2. Related transactions arising from the acquisition or sale of assets or equity

Not applicable

3. Related transactions for joint outward investment

Not applicable

4. Related debt and credit transactions

Not applicable

5. Transactions with related finance companies

Deposit business

Related parties	Related relationships	Daily maximum deposit limit (RMB ten thousand)	Range of deposit interest rates	Opening balance (RMB ten thousand)	Current amount incurred		Closing balance (RMB ten thousand)
					Total deposit amount for this period (RMB ten thousand)	Total withdrawal amount for this period (RMB ten thousand)	
AVIC Finance	Finance company with related relationships	80,000	1.15%-1.25%	27,133	462,596	442,955	46,774

Loan business

Related parties	Related relationships	Maximum loan amount (RMB ten thousand)	Loan interest rate range	Opening balance (RMB ten thousand)	Current amount incurred		Closing balance (RMB ten thousand)
					Total loan amount for the period (RMB ten thousand)	Total repayment amount for the period (RMB ten thousand)	
AVIC Finance	Finance company with related relationships	80,000	2.7%	0	0	0	0

Credit or other financial services

During the reporting period, the maximum daily amount of related deposits and loan balances incurred by the Company with AVIC Finance did not exceed the limit specified in the financial service agreement, and there have been no credit or other financial transactions. At the same time, the Company issued the Risk Assessment Report on Related Deposits and Loans with AVIC Finance Co., Ltd. every six months in respect of the aforementioned matters.

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

Not applicable

7. Other significant related transactions

At the 11th Meeting of the 10th Board of Directors held on March 16, 2023 and the 2022 Annual General Meeting held on April 26, 2023, the Company reviewed and approved the Proposal on the Estimation of Daily Related Transactions for 2023. During the

reporting period, the cumulative transaction amounts of various related transactions related to the Company's daily operations were within the expected annual range.

Related queries on the website for disclosure of interim reports on major related transactions

Interim announcement name	Interim announcement disclosure date	Name of website for disclosure of interim announcements
Announcement on the Resolutions of the 11th Meeting of the 10th Board of Directors 2023-007	March 18, 2023	http://www.cninfo.com.cn/
Announcement on the Estimation of Daily Related Transactions in 2023 2023-010	March 18, 2023	http://www.cninfo.com.cn/
Announcement on the Resolutions of the 2022 Annual General Meeting 2023-031	April 27, 2023	http://www.cninfo.com.cn/

XV. Major contracts and their performance

1. Custody, contracting, and lease matters

(1) Custody

Not applicable

(2) Contracting

Not applicable

(3) Lease

Not applicable

2. Significant guarantee

Unit: RMB ten thousand

External guarantees provided by the Company and its subsidiaries (excluding guarantees for subsidiaries)										
Guarantee company	Disclosure date of announcements relating to guarantee limit	Guarantee limit	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Completed or not	Whether it's a related-party guarantee
Not applicable										
Total amount of external guarantee limit approved during the reporting period (A1)		0		Total actual amount of external guarantees incurred during the reporting period (A2)		0				
Total amount of external guarantee		0		Total actual balance of external		0				

limit approved at the end of the reporting period (A3)			guarantees at the end of the reporting period (A4)							
Guarantee to its subsidiaries by the Company										
Guarantee company	Disclosure date of announcements relating to guarantee limit	Guarantee limit	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Completed or not	Whether it's a related-party guarantee
Shenzhen Harmony World Watch Center Co., Ltd.	March 18, 2023	30,000	December 30, 2023	12,000	Joint and several liability guarantee			One year	No	No
Total amount of guarantee limit for subsidiaries approved during the reporting period (B1)		30,000		Total actual amount of guarantees provided to subsidiaries during the reporting period (B2)		12,000				
Total amount of guarantee limit to subsidiaries approved at the end of the reporting period (B3)		30,000		Total balance of actual guarantees to subsidiaries at the end of the reporting period (B4)		12,000				
Guarantee to subsidiaries by other subsidiaries										
Guarantee company	Disclosure date of announcements relating to guarantee limit	Guarantee limit	Actual occurrence date	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Completed or not	Whether it's a related-party guarantee
Not applicable										
Total amount of guarantee limit for subsidiaries approved during the reporting period (C1)		0		Total actual amount of guarantees provided to subsidiaries during the reporting period (C2)		0				
Total amount of guarantee limit to subsidiaries approved at the end of the reporting		0		Total actual guarantee balance for subsidiaries at the end of the reporting period		0				

period (C3)		(C4)	
Total amount of the Company's guarantees (i.e. the total of the above three main items)			
Total amount of guarantee limit approved during the reporting period (A1+B1+C1)	30,000	Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)	12,000
Total amount of guarantee limit approved at the end of the reporting period (A3+B3+C3)	30,000	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	12,000
The proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets	3.60%		
Among them:			
Balance of guarantees provided to shareholders, actual controllers and their affiliates (D)	0		
Balance of debt guarantees provided directly or indirectly to the guaranteed object with an asset liability ratio exceeding 70% (E)	0		
The amount of guarantee exceeding 50% of net assets (F)	0		
The total amount of the three guarantees mentioned above (D+E+F)	0		
Situations where there is guarantee liability or evidence indicating the possibility of joint and several repayment liability for unexpired guarantee contracts during the reporting period (if any)	Not applicable		
External guarantees provided in violation of prescribed procedures (if any)	Not applicable		

Specific situation of the use of composite guarantees

Not applicable

3. Cash asset management entrusted to others

(1) Entrusted financial management

Not applicable

(2) Entrusted loan

Not applicable

4. Other major contracts

Not applicable

XVI. Other significant matters

1. Repurchase some domestically listed foreign shares (B Shares)

At the 11th Meeting of the 10th Board of Directors and the 2022 Annual General Meeting, the Company approved the Program on the Repurchase of Some Domestically Listed Foreign Shares (B Shares), and subsequently disclosed the repurchase report and a series of progress announcements in accordance with relevant regulations. As of December 31, 2023, the Company has cumulatively repurchased 9,355,763 shares of B shares through a special repurchase securities account through centralized bidding, with a total amount paid of HKD 70,401,771.17 (excluding transaction fees). For details, please refer to the relevant progress announcements disclosed by the Company on CNINF.

2. Change of business scope and revision of the Articles of Association

After deliberation and approval by the 13th Meeting of the 10th Board of Directors and the 1st Extraordinary General Meeting in 2023, the Company has decided to expand its business scope, adjust the standardized expression of the existing business scope, and revise the corresponding provisions of the Articles of Association based on the changed business scope. For details, please refer to the Announcement on the Resolutions of the 13th Meeting of the 10th Board of Directors 2023-025, Announcement on Changing the Business Scope and Amending the Articles of Association 2023-027, and Announcement on Resolutions of the 1st Extraordinary General Meeting 2023-031, which were disclosed by the Company on May 16, 2023 and June 1, 2023 on CNINF.

3. Capital increase to wholly-owned subsidiaries

At the 14th Meeting of the 10th Board of Directors, the Company approved the Proposal on Capital Increase to Wholly-owned Subsidiary Shenzhen FIYTA Precision Technology Co., Ltd., and decided to increase the capital of its wholly-owned subsidiary Shenzhen FIYTA Precision Technology Co., Ltd. by RMB 80 million. For details, please refer to the Announcement on Capital Increase to Wholly-owned Subsidiary Shenzhen FIYTA Precision Technology Co., Ltd. 2023-047 and Announcement on Completion of Industrial and Commercial Change Registration for Capital Increase of Wholly-owned Subsidiary 2023-059 disclosed by the Company on August 23, 2023 and December 1, 2023 on CNINF.

4. Revision of the Company's internal system matters

The 16th Meeting of the 10th Board of Directors and the 3rd Extraordinary General Meeting in 2023 reviewed and approved the Proposal on Amending the Articles of Association, Proposal on Amending the Rules of Procedure of the General Meeting, Proposal on Amending the Rules of Procedure of the Board of Directors, Proposal on Amending the Working System of Independent Directors, and Proposal on Amending the Related Transaction Management System. For details, please refer to the relevant announcements disclosed by the Company on December 13, 2023 and December 29, 2023 on CNINF.

XVII. Material matters of the Company's subsidiaries

Not applicable

Section 7 Changes in Shares and Shareholders

I. Changes in shares

1. Changes in shares

Unit: shares

	Before this change		Increase/decrease in this change (+, -)					After this change	
	Quantity	Proportion	New issue	Bonus issue	Conversion from reserves	Other	Subtotal	Quantity	Proportion
I. Shares with selling restrictions	8,227,310	1.97%	0	0	0	-5,497,450	-5,497,450	2,729,860	0.66%
1. State shareholding	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person shareholding	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shareholding	8,227,310	1.97%	0	0	0	-5,497,450	-5,497,450	2,729,860	0.66%
Including: shares held by domestic legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Domestic natural person shareholding	8,227,310	1.97%	0	0	0	-5,497,450	-5,497,450	2,729,860	0.66%
4. Foreign shareholding	0	0.00%	0	0	0	0	0	0	0.00%
Including: shares held by overseas legal persons	0	0.00%	0	0	0	0	0	0	0.00%
Overseas natural	0	0.00%	0	0	0	0	0	0	0.00%

person shareholding									
II. Shares without selling restrictions	409,400,650	98.03%	0	0	0	3,089,460	3,089,460	412,490,110	99.34%
1. RMB-denominated ordinary shares	359,463,953	86.07%	0	0	0	3,089,460	3,089,460	362,553,413	87.31%
2. Domestically listed foreign shares	49,936,697	11.96%	0	0	0	0	0	49,936,697	12.03%
3. Foreign shares listed overseas	0	0.00%	0	0	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total number of shares	417,627,960	100.00%	0	0	0	-2,407,990	-2,407,990	415,219,970	100.00%

Reasons for changes in shares

1. During the reporting period, the unlocking conditions for the third unlocking period of the Company's restricted share incentive scheme (Phase I) and the first unlocking period of the restricted share incentive scheme (Phase II) have been satisfied, and the corresponding unlocked shares have been listed and circulated, resulting in a decrease of 3,436,710 shares with selling restrictions (with a corresponding increase in shares without selling restrictions);

2. During the reporting period, due to the Company's failure to meet the company-level performance conditions for unlocking of restricted shares during the second unlocking period of the restricted share incentive scheme (Phase II), the Company repurchased and cancelled 2,201,130 restricted A share that did not meet the unlocking conditions in accordance with regulations; Due to the resignation of 7 former incentive recipients, the Company repurchased and cancelled 206,860 A-share restricted shares held by them in aggregate in accordance with regulations, resulting in a total reduction of 2,407,990 shares with selling restrictions (with a corresponding decrease in the total share capital of the Company);

3. During the reporting period, due to the adjustment of the transfer limit for Senior Executives, 347,250 shares with selling restrictions were added (a corresponding decrease in shares without selling restrictions).

Due to the above reasons, at the end of the reporting period, the total number of shares with selling restrictions of the Company decreased by 5,497,450; the total number of shares without selling restrictions increased by 3,089,460; and the total number of shares decreased by 2,407,990.

Approval status of share changes

Approved by the 10th Meeting of the 10th Board of Directors of the Company, the Board of Directors, in accordance with the authorization of the 1st Extraordinary General Meeting in 2019 and the 1st Extraordinary General Meeting in 2021, has processed the lifting of restrictions on 3,436,710 A shares that meet the conditions for lifting restrictions.

Approved by the 2022 Annual General Meeting, the 1st Extraordinary General Meeting in 2023, and the 2nd Extraordinary General Meeting in 2023, the Company has processed the repurchase and cancellation of 2,407,990 restricted A-shares.

Transfer situation of share changes

During the reporting period, the transfer of changes in the Company's shares, as audited and confirmed by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, were as follows:

on July 6, 2023, the repurchase and cancellation of 2,347,870 restricted A shares were completed;

on July 31, 2023, the repurchase and cancellation of 13,360 restricted A shares were completed;

on November 3, 2023, the repurchase and cancellation of 46,760 restricted A shares were completed.

Impact of share changes on financial indicators such as basic earnings per share, diluted earnings per share, and net assets per share attributable to common shareholders of the Company for the most recent year and period

Weighted average ROE (%)		Earnings per share			
		Basic earnings per share (RMB/share)		Diluted earnings per share (RMB/share)	
2023	2022	2023	2022	2023	2022
10.28%	8.68%	0.8082	0.6398	0.8075	0.6398

Other disclosures deemed necessary by the Company or required by securities regulatory authorities

Not applicable

2. Changes in restricted shares

Unit: shares

Name of Shareholders	Number of restricted shares at the beginning of the period	Increase in restricted shares during the period (note)	Number of restricted shares lifted during the period	Number of restricted shares at the end of the period	Reason for restricted sales	Date of lifting sales restrictions
Li Ming	214,250	22,500	76,670	160,080	Locked shares held by Senior Executives and restricted shares that have not yet been unlocked	1. On January 31, 2023, 76,670 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares will be unlocked in accordance with the conditions for locked shares held by Senior Executives and the Company's equity incentive management measures.
Pan Bo	214,220	22,500	76,670	160,050	Locked shares held	1. On January 31, 2023, 76,670 restricted shares under the incentive

					by Senior Executives and restricted shares that have not yet been unlocked	scheme were unlocked; 2. The remaining restricted shares will be unlocked in accordance with the conditions for locked shares held by Senior Executives and the Company's equity incentive management measures.
Lu Wanjun	214,220	22,500	76,670	160,050	Locked shares held by Senior Executives and restricted shares that have not yet been unlocked	1. On January 31, 2023, 76,670 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares will be unlocked in accordance with the conditions for locked shares held by Senior Executives and the Company's equity incentive management measures.
Liu Xiaoming	214,220	22,500	76,670	160,050	Locked shares held by Senior Executives and restricted shares that have not yet been unlocked	1. On January 31, 2023, 76,670 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares will be unlocked in accordance with the conditions for locked shares held by Senior Executives and the Company's equity incentive management measures.
Tang Haiyuan	170,040	7,500	69,990	107,550	Locked shares held by Senior Executives and restricted shares that have not yet been unlocked	1. On January 31, 2023, 69,990 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares will be unlocked in accordance with the conditions for locked shares held by Senior Executives and the Company's equity incentive management measures.
Chen Libin	213,400	-59,940	93,340	60,120	Unlocked restricted shares	1. On January 31, 2023, 93,340 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares shall be unlocked in accordance with the Company's equity incentive management measures.
Bao Xianyong	140,040	-39,960	60,000	40,080	Unlocked restricted shares	1. On January 31, 2023, 60,000 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares shall be unlocked in accordance with the Company's equity incentive management measures.
Sun Lei	140,040	-39,960	60,000	40,080	Unlocked restricted shares	1. On January 31, 2023, 60,000 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares shall be unlocked in accordance with the Company's equity incentive

						management measures.
Sheng Li	140,040	-39,960	60,000	40,080	Unlocked restricted shares	1. On January 31, 2023, 60,000 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares shall be unlocked in accordance with the Company's equity incentive management measures.
Other shareholders	6,566,840	-1,978,420	2,786,700	1,801,720	Locked shares held by outgoing Senior Executives and restricted shares that have not yet been unlocked	1. On January 31, 2023, 2,786,700 restricted shares under the incentive scheme were unlocked; 2. The remaining restricted shares shall be unlocked in accordance with the conditions for locked shares held by outgoing Senior Executives and the Company's equity incentive management measures.
Total	8,227,310	-2,060,740	3,436,710	2,729,860	--	--

Note: the increase in the number of restricted shares in the period has deducted the restricted A share that were repurchased and cancelled due to the failure to meet the unlocking conditions during the second unlocking period of the Company's restricted share incentive scheme (Phase II).

II. Securities issuance and listing

1. Securities issuance (excluding preferred shares) during the reporting period

Not applicable

2. Changes in the total number of shares and shareholder structure of the Company, as well as changes in the Company's asset and liability structure

As described in the "Reasons for changes in shares" section.

3. Existing internal employee shares

Not applicable

III. Shareholders and actual controllers

1. Number of shareholders and their holdings

Unit: shares

Total number of common shareholders at the end of the reporting period	28,145	Total number of common shareholders at the end of the previous month	28,183	Total number of preferred shareholders with restored voting rights at the end of the reporting period (if any) (see Note 8)	0	Total number of preferred shareholders with restored voting rights at the end of the previous month prior to the disclosure date of the annual report (if any) (see Note 8)	0
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		prior to the disclosure date of the annual report						
Shareholdings of shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through refinancing)								
Name of Shareholders	Nature of shareholders	Holding ratio	Number of shares held at the end of the reporting period	Changes during the reporting period	Number of shares held with limited sales conditions	Number of shares held with unlimited sales conditions	Situations of pledge, marking or freezing	
							Share status	Quantity
AVIC International Holding Limited	State-owned legal person	39.25%	162,977,327	0	0	162,977,327	Not applicable	0
#Wu Jilin	Domestic natural persons	4.35%	18,043,627	98,013	0	18,043,627	Not applicable	0
#Xu Guoliang	Domestic natural persons	1.74%	7,242,768	1,978,000	0	7,242,768	Not applicable	0
Qiu Hong	Domestic natural persons	0.59%	2,470,000	100,000	0	2,470,000	Not applicable	0
#Zhu Rui	Domestic natural persons	0.34%	1,407,100	-295,500	0	1,407,100	Not applicable	0
CITIC Securities Company Limited	State-owned legal person	0.33%	1,368,078	1,248,109	0	1,368,078	Not applicable	0
#Qu Yongjie	Domestic natural persons	0.31%	1,286,800	20,000	0	1,286,800	Not applicable	0
Industrial and Commercial Bank of China Ltd. - GF CSI Guoxin Central-SOEs Shareholder Return ETF	Other	0.29%	1,212,700	1,212,700	0	1,212,700	Not applicable	0
Chen Hao	Domestic natural persons	0.27%	1,101,643	12,700	0	1,101,643	Not applicable	0
China Construction Bank Corporation - China Universal CSI Guoxin	Other	0.26%	1,071,900	1,071,900	0	1,071,900	Not applicable	0

Central-SOEs Shareholder Return ETF								
Situation where strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)	Not applicable							
Explanation of related relationships or concerted actions of the above shareholders	The Company is unaware of whether the 10 shareholders mentioned above have any related relationships or are concerted actors.							
Explanation of the above-mentioned shareholders' involvement in the delegation/entrustment of voting rights or the waiver of voting rights	The shareholder AVIC International Holding Limited had authorized representatives to exercise voting rights on behalf of the company at the 2022 Annual General Meeting, the 1st Extraordinary General Meeting of 2023, the 2nd Extraordinary General Meeting of 2023, and the 3rd Extraordinary General Meeting of 2023. The number of representative shares was 162,977,327, and the voting results were detailed in the relevant announcements disclosed by the Company on CNINF.							
Special explanation for the existence of special repurchase accounts among the top 10 shareholders (if any) (see Note 10)	The number of common shares held by the Company's B-share special repurchase account, "FIYTA Precision Technology Co., Ltd. Special Repurchase Securities Account", at the end of the reporting period, is 9,355,763 shares, and the holding ratio is 2.25%, mainly due to the Company's implementation of B-share repurchase. According to regulations, the special repurchase account is not included in the list of the top 10 shareholders.							
Holdings of the top 10 shareholders without selling restrictions								
Name of Shareholders	Number of shares held without selling restrictions at the end of the reporting period	Types of shares						
		Types of shares	Quantity					
AVIC International Holding Limited	162,977,327	Renminbi common shares	162,977,327					
#Wu Jilin	18,043,627	Renminbi common shares	18,043,627					
#Xu Guoliang	7,242,768	Renminbi common shares	7,242,768					
Qiu Hong	2,470,000	Renminbi common shares	2,470,000					
#Zhu Rui	1,407,100	Renminbi common shares	1,407,100					
CITIC Securities Company Limited	1,368,078	Renminbi common shares	1,368,078					
#Qu Yongjie	1,286,800	Renminbi common shares	1,286,800					
Industrial and Commercial Bank of China Ltd. - GF CSI Guoxin Central-SOEs Shareholder Return ETF	1,212,700	Renminbi common shares	1,212,700					
Chen Hao	1,101,643	Renminbi common shares	1,101,643					
China Construction Bank Corporation - China Universal CSI Guoxin Central-SOEs Shareholder Return ETF	1,071,900	Renminbi common shares	1,071,900					
Explanation of the related relationships or concerted actions among the top 10 shareholders of unrestricted shares, as well as between the top 10 shareholders of unrestricted shares and the top 10 shareholders	The Company is unaware of whether the 10 shareholders mentioned above have any related relationships or are concerted actors.							
Explanation of the participation of the top 10	1. In addition to holding 10,597,777 shares through the ordinary securities							

common shareholders in the margin trading and securities lending business (if any) (see Note 4)	<p>account, shareholder Wu Jilin also holds 7,445,850 shares through the customer credit trading guarantee securities account of China CICC Wealth Management Securities Company Limited, totaling 18,043,627 shares;</p> <p>2. In addition to holding 6,640,868 shares through the ordinary securities account, shareholder Xu Guoliang also holds 601,900 shares through the customer credit trading guarantee securities account of Guosen Securities Co., Ltd., totaling 7,242,768 shares;</p> <p>3. In addition to holding 62,000 shares through the ordinary securities account, shareholder Zhu Rui also holds 1,345,100 shares through the customer credit trading guarantee securities account of First Capital Securities Co., Ltd., totaling 1,407,100 shares;</p> <p>4. In addition to holding 42,800 shares through the ordinary securities account, shareholder Qu Yongjie also holds 1,244,000 shares through the customer credit trading guarantee securities account of Shanxi Securities Company Limited, totaling 1,286,800 shares.</p>
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Top 10 shareholders participating in the lending of shares through refinancing business

Not applicable

Changes in the top 10 shareholders compared to the previous period

Unit: shares

Changes in the top 10 shareholders compared to the end of the previous period					
Name of Shareholders (Full Name)	New additions/exits during this reporting period	Number of shares lent through refinancing and not yet repaid at the end of the period		Number of shares held in the ordinary account and credit account of shareholders, as well as the shares lent through refinancing and not yet repaid at the end of the period	
		Total quantity	Proportion to the total share capital	Total quantity	Proportion to the total share capital
CITIC Securities Company Limited	New addition	0	0.00%	1,368,078	0.33%
Industrial and Commercial Bank of China Ltd. - GF CSI Guoxin Central-SOEs Shareholder Return ETF	New addition	0	0.00%	1,212,700	0.29%
China Construction Bank Corporation - China Universal CSI Guoxin Central-SOEs Shareholder Return ETF	New addition	0	0.00%	1,071,900	0.26%
Li Shuyuan	Exit	0	0.00%	811,500	0.20%
Zhang Mingrong	Exit	0	0.00%	0	0.00%
Lv Shaowen	Exit	0	0.00%	0	0.00%

Whether the top 10 common shareholders and the top 10 common shareholders without selling restrictions engaged in agreed repurchase transactions during the reporting period

No

2. Information about the controlling shareholder

Nature: central state-owned holding

Type: legal person

Name	Legal representative/Person in charge of the unit	Establishment date	Organization code	Main businesses
AVIC International Holding Limited	Li Bin	June 20, 1997	91440300279351229A	Investment in industrial development (specific projects to be declared separately); Domestic

				commercial and material supply and marketing industries (excluding exclusive, controlled, and sold goods); Engaging in import and export business (excluding projects prohibited by laws, administrative regulations, and decisions of the State Council, and restricted projects shall obtain permission before operation).
Equity situation of other domestic and foreign listed companies controlled and participated in by the controlling shareholder during the reporting period	AVIC INTL holds 11.86% of the equity in Tianma Microelectronics Co., Ltd. (STM 000050) and 63.97% of the equity in Shennan Circuit Co., Ltd. (SNDL 002916).			

Changes in the controlling shareholder during the reporting period

Not applicable

3. Actual controller and its concerted actor

Nature: central state-owned asset management agency

Name	Legal representative/Person in charge of the unit	Establishment date	Organization code	Main businesses
Aviation Industry Corporation of China, Ltd.	Tan Ruisong	November 6, 2008	91110000710935732K	Operating state-owned assets within the scope authorized by the State Council; Research, design, development, testing, production, sales, maintenance, support, and service of military aircraft and engines, guided weapons, military gas turbines, weapon equipment supporting systems and products; Investment and management in industries such as finance, leasing, general aviation services, transportation, healthcare, engineering survey and design, engineering contracting and construction, and real estate development; Design, R&D, testing, production, sales, and maintenance services for civil aircraft and engines, onboard equipment and systems, gas turbines, automobiles and motorcycles and engines

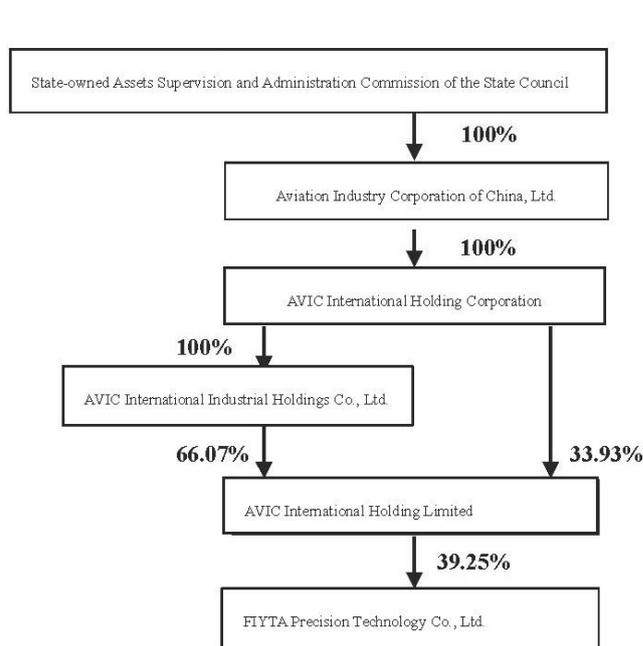
			<p>(including components), refrigeration equipment, electronic products, environmental protection equipment, and new energy equipment; Equipment leasing; Engineering survey and design; Engineering contracting and construction; Real estate development and operation; Technology transfer and technical services related to the above businesses; Import and export business; Technological development and sales of ships; Development of engineering equipment technology; Technological development of new energy products. (Enterprises shall independently choose their business projects and carry out business activities in accordance with the law. For projects that require approval according to the law, they shall carry out business activities in accordance with the approved content after obtaining approval from relevant departments. They shall not engage in business activities prohibited or restricted by the industrial policies of this city.)</p>
<p>Equity situation of other domestic and foreign listed companies controlled by the actual controller during the reporting period</p>	<p>In addition to holding equity in the Company, AVIC directly or indirectly holds and controls the shares of domestic and foreign listed companies, including:</p> <ol style="list-style-type: none"> 1. Tianma Microelectronics Co., Ltd. (SZ. 00050), with a holding ratio of 28%; 2. AVIC Xi'an Aircraft Industry Group Company Ltd. (SZ. 000768), with a holding ratio of 55%; 3. AVIC Jonhon Optronic Technology Co., Ltd. (SZ.002179), with a holding ratio of 40%; 4. Chengfei Integration Technology Co., Ltd. (SZ.002190), with a holding ratio of 51%; 5. Rainbow Digital Commercial Co., Ltd. (SZ.002419), with a holding ratio of 45%; 6. AVIC Zhonghang Electronic Measuring Instruments Co., Ltd. (SZ.300114), with a holding ratio of 54%; 7. AVICOPTER PLC (SH.600038), with a holding ratio of 50%; 8. Jiangxi Hongdu Aviation Industry Co., Ltd. (SH.600316), with a holding ratio of 48%; 9. AVIC Airborne Systems Co., Ltd. (SH.600372), with a holding ratio of 56%; 10. Guizhou Guihang Automotive Components Co., Ltd. (SH.600523), with a holding ratio of 46%; 11. AVIC Industry-Finance Holdings Co., Ltd. (SH.600705), with a holding ratio of 51%; 12. AVIC Shenyang Aircraft Company Limited (SH.600760), with a holding ratio of 69%; 13. AVIC Heavy Machinery Co., Ltd. (SH.600765), with a holding ratio of 37%; 14. Baosheng Science & Technology Innovation Co., Ltd. (SH.600973), with a holding ratio of 40%; 15. AVIC Aviation High-Technology Co., Ltd. (SH.600862), with a holding ratio of 45%; 16. Shennan Circuit Co., Ltd. (002916), with a holding ratio of 64%; 17. Hefei Jianghang Aircraft Equipment Co., Ltd. (SH.688586), with a holding ratio of 56%; 18. AVIC (Chengdu) UAS Co., Ltd. (688297. SH), with a holding ratio of 54%; 19. AVIC Forstar S&T Co., Ltd. (BJ.835640), with a holding ratio of 47%; 20. Nexteer Automotive Group Ltd. (HK.1316), with a holding ratio of 44%; 21. AVIChina Industry and Technology Co., Ltd. (HK. 2357), with a holding ratio of 60%; 22. Continental Aerospace Technologies Holding Limited (HK. 0232), with a holding ratio of 46%; 23. KHD Humboldt Wedag International AG (KWG: GR), with a holding ratio of 89%; 24. FACC AG (AT00000 FACC), with a holding ratio of 55%. 		

Type: legal person

Changes in actual controller during the reporting period

Not applicable

Block diagram of property rights and control relationship between the Company and the actual controller



The actual controller controls the Company through trust or other asset management methods

Not applicable

4. The cumulative number of pledged shares held by the controlling shareholder or the largest shareholder of the Company and their concerted actors accounts for 80% of the shares they hold in the Company

Not applicable

5. Other corporate shareholders holding more than 10% of the shares

Not applicable

6. Restricted reduction of shares held by the controlling shareholder, actual controller, restructuring parties, and other committed entities

Not applicable

IV. Specific implementation of share repurchase during the reporting period

Progress in the implementation of share repurchase

Disclosure date of the plan	Number of shares to be repurchased (shares)	Proportion to the total share capital	Proposed repurchase amount (RMB ten thousand)	Proposed repurchase period	Purpose of repurchase	Repurchased quantity (shares)	Proportion of repurchased shares to the underlying shares

							involved in the equity incentive plan (if any)
March 18, 2023	6.66 million to 13.32 million shares	1.59% to 3.19%	No less than RMB 50 million and no more than RMB 100 million	April 27, 2023 to April 26, 2024	Cancellation and reduction of registered capital in accordance with the law	9,355,763	

Progress in the implementation of reducing and repurchasing shares through centralized bidding trading

Not applicable

Section 8 Information Related to Preferred Shares

Not applicable

Section 9 Bond Related Information

Not applicable

FIYTA Precision Technology Co., Ltd.

Independent Auditor's Report

D.H.S.Z. [2024]0011000766

Da Hua Certified Public Accountants (Special General Partnership)

FIYTA Precision Technology Co., Ltd.
Independent Auditor's Report and Financial Statements
(1 January 2023 to 31 December 2023)

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Independent Auditor's Report

D.H.S.Z.[2024] 0011000766

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

I. Audit Opinion

We have audited the accompanying financial statements of FIYTA Precision Technology Co., Ltd. (herein after “FIYTA Ltd.” or the Company) , which comprise the consolidated and the parent company’s balance sheet as at 31 December 2023, the consolidated and the parent company’s statement of comprehensive income, the consolidated and the parent company’s cash flow statements and the consolidated and the parent company’s statement of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with the requirements of Accounting Standards for Business Enterprises, and fairly reflect FIYTA Ltd.’s financial position at 31 December 2023 and the financial performance and cash flows for the year then ended.

II. Basis for Audit Opinion

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

III. Key Audit Matters

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

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

(I) Existence of inventory and its net realizable value

1. Description

As at 31 December 2023, the book balance, provision for decline in value, and carrying amount of inventory were RMB2,172.58 million, RMB71.91 million and RMB2,100.67 million respectively. The carrying amount of inventory accounts for 49.97% of the total assets of the Company.

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

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

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

2. How our audit addressed the key audit matter

Major audit procedures we have conducted include:

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

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

statements.

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

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

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

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

(vii) Reviewing and evaluating the appropriateness of significant estimates made by the Management in determining the NRV of inventory;

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

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

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

(II) Revenue recognition

1. Description

In 2023, the Company's income from main business was RMB4,553.71 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 32 for accounting policy relating to revenue recognition.

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

2. How our audit addressed the key audit matter

Major audit procedures we have conducted include:

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

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

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

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

(v) In connection with audit of accounts receivable, selecting major customers and confirming corresponding sales in current year and year-end balance, and procedures were implemented to check for post-dated returns;

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

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

IV. Other Information

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

Our opinion expressed on the financial statements does not cover the Other

Information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Da Hua Certified Public Accountants
(Special General Partnership)

CICPA: _____

Engagement partner Long Jiao

Beijing, China

CICPA: _____

Wang Dong

12 March 2024

II. Audited Financial Statements

Consolidated Balance Sheet

As at 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Assets	Note V	Closing Balance	Closing Balance of prior period
Current assets:			
Monetary funds	note 1	504,629,153.7 1	313,747,463.64
Financial assets held for trading			
Derivative financial assets			
Notes receivable	note 2	18,268,972.37	32,214,912.10
Accounts receivable	note 3	323,142,761.6 4	305,290,959.68
Accounts receivable financing			
Prepayments	note 4	6,571,239.98	8,039,794.97
Other receivables	note 5	57,725,792.00	56,918,019.48
Inventories	note 6	2,100,666,175. 28	2,141,320,373.67
Contract assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets	note 7	72,249,391.81	66,339,505.32
Total current assets		<u>3,083,253,486. 79</u>	<u>2,923,871,028.86</u>
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	note 8	51,862,607.30	58,182,086.90
Investment in other equity instruments	note 9		85,000.00
Other non-current financial assets			
Investment properties	note 10	360,255,832.1 4	374,979,494.71
Fixed assets	note 11	355,785,354.6 8	364,628,765.17
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets	note 12	109,452,481.6 4	110,330,512.03
Intangible assets	note 13	31,664,380.77	33,200,218.63
Development expenditure			
Goodwill			
Long-term deferred expenses	note 14	122,324,355.1 3	144,488,452.18
Deferred tax assets	note 15	80,227,771.46	95,784,611.94
Other non-current assets	note 16	9,434,627.17	11,593,741.57
Total non-current assets		<u>1,121,007,410. 29</u>	<u>1,193,272,883.13</u>
Total assets		<u>4,204,260,897. 08</u>	<u>4,117,143,911.99</u>

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Consolidated Balance Sheet (Continued)

As at 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Liability and Equity	Note V	Closing Balance	Closing Balance of prior period
Current liabilities:			
Short-term borrowings	note 17	250,187,763.87	290,237,111.11
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	note 18		2,000,600.00
Accounts payable	note 19	173,825,907.71	170,589,456.67
Payments received in advance	note 20	10,267,758.31	16,960,128.83
Contract liabilities	note 21	12,286,243.62	16,844,437.47
Employee benefits payable	note 22	120,084,810.60	136,587,939.38
Tax payables	note 23	64,188,161.31	60,770,168.30
Other payables	note 24	121,937,801.07	165,060,122.58
Held-for-sale liabilities			
Current portion of non-current liabilities	note 25	66,399,004.20	71,546,316.16
Other current liabilities	note 26	1,589,635.30	1,686,806.01
Total current liabilities		820,767,085.99	932,283,086.51
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Including: Perpetual debt			
Lease liabilities	note 27	43,526,352.52	41,642,561.58
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	note 28	952,785.69	1,295,926.80
Deferred tax liabilities	note 15	5,208,920.69	5,498,844.95
Other non-current liabilities			
Total non-current liabilities		49,688,058.90	48,437,333.33
Total liabilities		870,455,144.89	980,720,419.84
Equity:			
Share capital	note 29	415,219,970.00	417,627,960.00
Other equity instruments			
Including: Preferred stock			
Including: Perpetual debt			
Capital reserves	note 30	990,159,033.17	1,007,086,643.48
Less: Treasury stock	note 31	78,645,532.23	50,759,806.16
Other comprehensive income	note 32	19,325,335.93	5,739,589.89
Special reserves	note 33	3,223,158.06	2,012,064.91
Surplus reserve	note 34	275,010,401.50	275,010,401.50
Retained earnings	note 35	1,709,513,385.76	1,479,706,638.53
Equity attributable to parent company		3,333,805,752.19	3,136,423,492.15
Non-controlling interests			
Total shareholders' equity		3,333,805,752.19	3,136,423,492.15
Total liabilities and shareholders' equity		4,204,260,897.08	4,117,143,911.99

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Items	Note V	Current Period	Prior Period
1. Operating revenue	note 36	4,569,690,002.99	4,354,096,880.36
Less: Operating costs	note 36	2,905,463,474.81	2,738,972,791.11
Taxes and surcharges	note 37	36,193,846.10	30,800,199.73
Selling expenses	note 38	924,009,179.32	931,832,830.40
Administrative expenses	note 39	205,359,277.24	219,014,508.52
Research and development expenses	note 40	57,802,244.08	61,088,585.61
Finance expenses	note 41	21,469,772.77	21,188,742.11
Including: Interest expenses		12,824,222.06	16,846,749.14
Interest income		5,722,586.39	3,923,999.48
Add: Other income	note 42	11,435,373.78	18,648,210.06
Income from investments	note 43	-5,819,479.60	3,026,481.59
Including: Investment income from associates and joint ventures		-5,819,479.60	3,026,481.59
Derecognition of financial assets at amortized cost			
Gains or losses from net exposure hedging			
Gains or losses from changes in fair values			
Credit impairment losses	note 44	6,827,575.82	4,845,379.45
Impairment losses	note 45	571,980.37	-37,625,482.96
Gains or losses from asset disposals	note 46	685,868.57	91,925.06
2. Operating profit		433,093,527.61	340,185,736.08
Add: Non-operating income	note 47	4,770,506.80	1,287,202.08
Less: Non-operating expenses	note 48	859,770.10	2,351,266.31
3. Profit before tax		437,004,264.31	339,121,671.85
Less: Income tax	note 49	103,826,161.94	72,440,220.01
4. Net profit		333,178,102.37	266,681,451.84
Including: Net profit realized before business combinations under common control			
I. Net profit classified by going concern			
Net profit from continuing operations ("-" for net loss)		333,178,102.37	266,681,451.84
Net profit from discontinuing operations ("-" for net loss)			
II. Net profit classified by ownership			
Net profit attributable to parent company		333,178,102.37	266,681,451.84
Net profit attributable to non-controlling interests			
5. Other comprehensive income after tax		13,585,746.04	13,397,936.29
Other comprehensive income after tax attributable to parent company		13,585,746.04	13,397,936.29
I. Items of other comprehensive income that will not be reclassified to profit or loss			
i. Changes in remeasurement of defined benefit plans			
ii. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
iii. Changes in fair value of investments in equity instruments			
iv. Changes in fair value of the Company's own credit risk			
II. Items of other comprehensive income that will be reclassified to profit or loss		13,585,746.04	13,397,936.29
i. Other comprehensive income that can be transferred to profit or loss under the equity method			
ii. Changes in fair value of other debt investments			
iii. Amount of financial assets reclassified into other comprehensive income			
iv. Provisions for credit impairment of other debt investments			
v. The effective portion of gains or losses arising from cash flow hedging			
vi. Translation differences arising from financial statements in foreign currencies		13,585,746.04	13,397,936.29
Other comprehensive income attributable to non-controlling interests after tax			
6. Total comprehensive income		346,763,848.41	280,079,388.13
Total comprehensive income attributable to parent company		346,763,848.41	280,079,388.13
Total comprehensive income attributable to non-controlling interests			
7. Earnings per share			
I. Basic earnings per share		0.8082	0.6398
II. Diluted earnings per share		0.8075	0.6398

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

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Consolidated Cash Flows Statement

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Items	Note V	Current Period	Prior Period
1. Cash flows from operating activities			
Cash received from sales and services		5,025,883,440.00	4,910,473,741.41
Tax and surcharge refunds		1,937,203.71	7,793,409.24
Other cash receipts related to operating activities	note 50	68,179,211.21	79,656,853.28
Total cash inflows from operating activities		5,095,999,854.92	4,997,924,003.93
Cash paid for goods and services		3,155,385,386.12	3,266,497,299.47
Cash paid to and for employees		624,495,756.20	659,058,385.84
Taxes and surcharges paid		296,079,135.93	272,103,882.56
Other cash payments related to operating activities	note 50	387,638,088.69	324,035,659.54
Total cash outflows from operating activities		4,463,598,366.94	4,521,695,227.41
Net cash flows from operating activities		632,401,487.98	476,228,776.52
2. Cash flows from investing activities			
Cash received from withdrawal of investments			
Cash received from investment income		500,000.00	
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets		1,278,284.57	138,721.29
Net proceeds from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Total cash inflows from investing activities		1,778,284.57	138,721.29
Cash paid for fixed assets, intangible assets and other long-term assets		91,104,776.03	114,090,573.97
Cash paid for investments			
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities			
Total cash outflows from investing activities		91,104,776.03	114,090,573.97
Net cash flows from investing activities		-89,326,491.46	-113,951,852.68
3. Cash flows from financing activities			
Cash received from investments by others			
Including: Cash received by subsidiaries from non-controlling investors			
Cash received from borrowings		250,000,000.00	845,155,704.29
Other cash receipts related to other financing activities			
Total cash inflows from financing activities		250,000,000.00	845,155,704.29
Cash repayments for debts		290,000,000.00	794,083,975.00
Cash paid for distribution of dividends and profit and for interest expenses		114,106,711.75	134,519,807.76
Including: Dividends or profit paid by subsidiaries to non-controlling investors			
Other cash payments related to financing activities	note 50	198,056,975.77	177,477,740.46
Total cash outflows from financing activities		602,163,687.52	1,106,081,523.22
Net cash flows from financing activities		-352,163,687.52	-260,925,818.93
4. Effect of changes in foreign exchange rates on cash and cash equivalents		-20,544.93	2,132,547.59
5. Net increase in cash and cash equivalents		190,890,764.07	103,483,652.50
Add: Opening balance of cash and cash equivalents		313,738,389.64	210,254,737.14
6. Closing balance of cash and cash equivalents	note 51	504,629,153.71	313,738,389.64

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

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

FIYTA Precision Technology Co., Ltd.
Notes to the Financial Statements
For the year ended 31 December 2023

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Items	Current Period						Non-controlling interests	Total shareholders' equity
	Equity attributable to parent company							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	
1. Closing balance of prior year	417,627,960.0	1,007,086,643.4	50,759,806.16	5,739,589.89	2,012,064.9	275,010,401.5	1,479,706,638.5	3,136,423,492.15
Add: Increase/decrease due to changes in accounting policies	0	8			1	0	3	
Increase/decrease due to corrections of errors in prior period								
Business combination under common control								
Others								
2. Opening balance of current year	417,627,960.0	1,007,086,643.4	50,759,806.16	5,739,589.89	2,012,064.9	275,010,401.5	1,479,706,638.5	3,136,423,492.15
	0	8			1	0	3	
3. Increase/decrease for current year	-2,407,990.00	-16,927,610.31	27,885,726.07	13,585,746.04	1,211,093.1		229,806,747.23	197,382,260.04
					5			
I. Total comprehensive income				13,585,746.04			333,178,102.37	346,763,848.41
II. Owner's contributions to and withdrawals of capital	-2,407,990.00	-16,927,610.31	27,885,726.07					-47,221,326.38
i. Common stock contributed/paid-in capital by shareholders/owners			64,340,669.42					-64,340,669.42
ii. Capital contributed by other equity instruments holders								
iii. Share-based payments to owners' equity	-2,407,990.00	-16,915,253.76	-36,454,943.3					17,131,699.59
iv. Others		-12,356.55						-12,356.55
III. Profits distribution							-103,371,355.14	-103,371,355.14
i. Appropriation of surplus reserve								
ii. Distribution to owners							-103,371,355.14	-103,371,355.14
iii. Others								
IV. Transfers within owners' equity								
i. Capital reserves transferred to paid-in capital								
ii. Surplus reserve transferred to paid-in capital								
iii. Use of surplus reserve to cover previous losses								
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings								
v. Other comprehensive income transferred to retained earnings								
vi. Others								
V. Special reserves					1,211,093.1			1,211,093.15
i. Appropriated during current year					5			
ii. Used during current year					1,537,825.2			1,537,825.22
					2			
VI. Others					-326,732.07			-326,732.07
4. Closing balance of current year	415,219,970.0	990,159,033.17	78,645,532.23	19,325,335.93	3,223,158.0	275,010,401.5	1,709,513,385.7	3,333,805,752.19
	0				6	0	6	

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.
Items

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

	Equity attributable to parent company					Surplus reserves	Retained earnings	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Prior Period Special reserves				
1. Closing balance of prior year	426,051,015.00	1,040,908,194.13	60,585,678.92	-7,658,346.40	1,062,731.13	275,010,401.50	1,338,444,326.09		3,013,232,642.53
Add: Increase/decrease due to changes in accounting policies									
Increase/decrease due to corrections of errors in prior period									
Business combination under common control									
Others									
2. Opening balance of current year	426,051,015.00	1,040,908,194.13	60,585,678.92	-7,658,346.40	1,062,731.13	275,010,401.50	1,338,444,326.09		3,013,232,642.53
3. Increase/decrease for current year	-8,423,055.00	-33,821,550.65	-9,825,872.76	13,397,936.29	949,333.78		141,262,312.44		123,190,849.62
I. Total comprehensive income				13,397,936.29			266,681,451.84		280,079,388.13
II. Owner's contributions to and withdrawals of capital	-8,423,055.00	-33,821,550.65	-9,825,872.76						-32,418,732.89
i. Common stock contributed/paid-in capital by shareholders/owners	-7,987,217.00	-42,265,614.88							-50,252,831.88
ii. Capital contributed by other equity instruments holders									
iii. Share-based payments to owners' equity	-435,838.00	8,459,107.40	-9,825,872.76						17,849,142.16
iv. Others		-15,043.17							-15,043.17
III. Profits distribution							-125,419,139.40		-125,419,139.40
i. Appropriation of surplus reserve							-125,419,139.40		-125,419,139.40
ii. Distribution to owners									
iii. Others									
IV. Transfers within owners' equity									
i. Capital reserves transferred to paid-in capital									
ii. Surplus reserve transferred to paid-in capital									
iii. Use of surplus reserve to cover previous losses									
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings									
v. Other comprehensive income transferred to retained earnings									
vi. Others									
V. Special reserves					949,333.78				949,333.78
i. Appropriated during current year					1,246,390.69				1,246,390.69
ii. Used during current year					-297,056.91				-297,056.91
VI. Others									
4. Closing balance of current year	417,627,960.00	1,007,086,643.48	50,759,806.16	5,739,589.89	2,012,064.91	275,010,401.50	1,479,706,638.53		3,136,423,492.15

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Parent Company's Balance Sheet

As at 31 December 2023

Prepared by: FIYTA Precision Technology
Co., Ltd.

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

Assets	Note XVI	Closing Balance	Closing Balance of prior period
Current assets:			
Monetary funds		308,230,255.3 5	274,691,023.16
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	note 1	1,822,916.61	603,216.03
Accounts receivable financing			
Prepayments			
Other receivables	note 2	696,328,419.8 5	839,782,543.07
Inventories			
Contract assets			
Held-for-sale assets			
Current portion of non-current assets			
Other current assets		15,886,769.82	14,107,604.63
Total current assets		1,022,268,361 .63	1,129,184,386.89
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	note 3	1,633,041,716 .11	1,552,310,486.50
Investment in other equity instruments			85,000.00
Other non-current financial assets			
Investment properties		293,695,692.6 8	305,676,084.09
Fixed assets		207,209,890.9 4	209,495,642.59
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		23,460,211.70	23,522,355.93
Development expenditure			
Goodwill			
Long-term deferred expenses		4,795,846.73	8,240,653.62
Deferred tax assets		640,783.05	1,904,597.73
Other non-current assets		710,807.49	2,051,932.75
Total non-current assets		2,163,554,948 .70	2,103,286,753.21
Total assets		3,185,823,310 .33	3,232,471,140.10

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Parent Company's Balance Sheet (Continued)

As at 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Liability and Equity	Note XVI	Closing Balance	Closing Balance of prior period
Current liabilities:			
Short-term borrowings		250,187,763.8 7	290,237,111.11
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		2,285,657.88	1,048,201.41
Payments received in advance		10,267,758.31	16,960,128.83
Contract liabilities			
Employee benefits payable		25,886,702.67	27,139,007.97
Tax payables		3,322,241.54	778,299.01
Other payables		224,668,548.7 7	299,198,966.56
Held-for-sale liabilities			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities		516,618,673.0 4	635,361,714.89
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Including: Perpetual debt			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		952,785.69	1,295,926.80
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		952,785.69	1,295,926.80
Total liabilities		517,571,458.7 3	636,657,641.69
Equity:			
Share capital		415,219,970.0 0	417,627,960.00
Other equity instruments			
Including: Preferred stock			
Including: Perpetual debt			
Capital reserves		993,037,528.9 8	1,010,917,776.19
Less: Treasury stock		78,645,532.23	50,759,806.16
Other comprehensive income			
Special reserves			
Surplus reserve		275,010,401.5 0	275,010,401.50
Retained earnings		1,063,629,483.35	943,017,166.88
Total owners' equity		2,668,251,851.60	2,595,813,498.41
Total liabilities and owners' equity		3,185,823,310.33	3,232,471,140.10

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Parent Company's Statement of Comprehensive Income

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Items	Note XVI	Current Period	Prior Period
1. Operating revenue	note 4	180,874,926.74	155,284,801.05
Less: Operating costs	note 4	49,729,440.87	41,765,441.70
Taxes and surcharges		7,815,174.54	5,984,017.16
Selling expenses		16,395,826.35	4,340,253.59
Administrative expenses		53,755,060.51	64,698,540.45
Research and development expenses		12,959,491.24	16,464,924.76
Finance expenses		-947,061.34	-1,030,335.57
Including: Interest expenses		2,405,575.67	3,264,769.63
Interest income		4,460,371.04	3,699,364.22
Add: Other income		1,097,603.80	1,221,085.39
Income from investments	note 5	192,180,520.40	243,622,178.29
Including: Investment income from associates and joint ventures		-5,819,479.60	3,026,481.59
Derecognition of financial assets at amortized cost			
Gains or losses from net exposure hedging			
Gains or losses from changes in fair values			
Credit impairment losses		-104,859.73	108,040.61
Impairment losses			
Gains or losses from asset disposals		635,033.80	-14,615.44
2. Operating profit		<u>234,975,292.84</u>	<u>267,998,647.81</u>
Add: Non-operating income		8,037.20	191,981.02
Less: Non-operating expenses		312,375.33	21,262.34
3. Profit before tax		<u>234,670,954.71</u>	<u>268,169,366.49</u>
Less: Income tax		10,687,283.10	6,174,714.67
4. Net profit		<u>223,983,671.61</u>	<u>261,994,651.82</u>
Net profit from continuing operations ("-" for net loss)		223,983,671.61	261,994,651.82
Net profit from discontinuing operations ("-" for net loss)			
5. Other comprehensive income after tax			
I. Items of other comprehensive income that will not be reclassified to profit or loss			
i. Changes in remeasurement of defined benefit plans			
ii. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
ii. Changes in fair value of investments in equity instruments			
i. Changes in fair value of the Company's own credit risk			
v.			
II. Items of other comprehensive income that will be reclassified to profit or loss			
i. Other comprehensive income that can be transferred to profit or loss under the equity method			
ii. Changes in fair value of other debt investments			
ii. Amount of financial assets reclassified into other comprehensive income			
i.			
i. Provisions for credit impairment of other debt investments			
v.			
v. The effective portion of gains or losses arising from cash flow hedging			
v. Translation differences arising from financial statements in foreign currencies			
6. Total comprehensive income		<u>223,983,671.61</u>	<u>261,994,651.82</u>

Legal Representative: Zhang Xuhua

Finance Officer (CFO): Song Yaoming

Financial Manager: Tian Hui

Parent Company's Cash Flows Statement

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Items	Not e XV I	Current Period	Prior Period
1. Cash flows from operating activities			
Cash received from sales and services		189,464,980.58	166,402,067.64
Tax and surcharge refunds			7,647.56
Other cash receipts related to operating activities		4,225,525,553.06	4,309,971,160.78
Total cash inflows from operating activities		<u>4,414,990,533.64</u>	<u>4,476,380,875.98</u>
Cash paid for goods and services		9,573,850.00	
Cash paid to and for employees		61,402,333.15	59,513,788.17
Taxes and surcharges paid		20,428,198.75	20,686,403.89
Other cash payments related to operating activities		4,154,707,540.94	4,383,872,472.45
Total cash outflows from operating activities		<u>4,246,111,922.84</u>	<u>4,464,072,664.51</u>
Net cash flows from operating activities		<u>168,878,610.80</u>	<u>12,308,211.47</u>
2. Cash flows from investing activities			
Cash received from withdrawal of investments			
Cash received from investment income		198,500,000.00	240,595,696.70
Net proceeds from disposals of fixed assets, intangible assets and other long-term assets		1,146,737.46	3,973,887.69
Net proceeds from disposal of subsidiaries and other business units			
Other cash receipts related to investing activities			
Total cash inflows from investing activities		<u>199,646,737.46</u>	<u>244,569,584.39</u>
Cash paid for fixed assets, intangible assets and other long-term assets		7,686,801.71	5,810,205.37
Cash paid for investments		90,000,000.00	
Net cash paid for acquiring subsidiaries and other business units			
Other cash payments related to investing activities			
Total cash outflows from investing activities		<u>97,686,801.71</u>	<u>5,810,205.37</u>
Net cash flows from investing activities		<u>101,959,935.75</u>	<u>238,759,379.02</u>
3. Cash flows from financing activities			
Cash received from investments by others			
Cash received from borrowings		250,000,000.00	830,000,000.00
Other cash receipts related to other financing activities			
Total cash inflows from financing activities		<u>250,000,000.00</u>	<u>830,000,000.00</u>
Cash repayments for debts		290,000,000.00	790,000,000.00
Cash paid for distribution of dividends and profit and for interest expenses		114,106,711.75	134,389,016.01
Other cash payments related to financing activities		83,148,230.83	53,390,338.09
Total cash outflows from financing activities		<u>487,254,942.58</u>	<u>977,779,354.10</u>
Net cash flows from financing activities		<u>-237,254,942.58</u>	<u>-147,779,354.10</u>
4. Effect of changes in foreign exchange rates on cash and cash equivalents		-44,371.78	380,393.85
5. Net increase in cash and cash equivalents		33,539,232.19	103,668,630.24
Add: Opening balance of cash and cash equivalents		274,691,023.16	171,022,392.92
6. Closing balance of cash and cash equivalents		<u>308,230,255.35</u>	<u>274,691,023.16</u>

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Parent Company's Statement of Changes in Equity

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.
Items

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

Items	Current Period							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
1. Closing balance of last year	417,627,960.00	1,010,917,776.19	50,759,806.16			275,010,401.50	943,017,166.88	2,595,813,498.41
Add: Increase/decrease due to changes in accounting policies								
Increase/decrease due to corrections of errors in prior period								
Others								
2. Opening balance of current year	417,627,960.00	1,010,917,776.19	50,759,806.16			275,010,401.50	943,017,166.88	2,595,813,498.41
3. Increase/decrease for current year	-2,407,990.00	-17,880,247.21	27,885,726.07				120,612,316.47	72,438,353.19
I. Total comprehensive income							223,983,671.61	223,983,671.61
II. Owner's contributions to and withdrawals of capital	-2,407,990.00	-17,880,247.21	27,885,726.07					-48,173,963.28
i. Common stock contributed/paid-in capital by shareholders/owners			64,340,669.42					-64,340,669.42
ii. Capital contributed by other equity instruments holders								
iii. Share-based payments to owners' equity	-2,407,990.00	-17,867,890.66	-36,454,943.35					16,179,062.69
iv. Others		-12,356.55						-12,356.55
III. Profits distribution							-103,371,355.14	-103,371,355.14
i. Appropriation of surplus reserve								
ii. Distribution to owners							-103,371,355.14	-103,371,355.14
iii. Others								
IV. Transfers within owners' equity								
i. Capital reserves transferred to paid-in capital								
ii. Surplus reserve transferred to paid-in capital								
iii. Use of surplus reserve to cover previous losses								
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings								
v. Other comprehensive income transferred to retained earnings								
vi. Others								
V. Special reserves								
i. Appropriated during current year								
ii. Used during current year								
VI. Others								
4. Closing balance of current year	<u>415,219,970.00</u>	<u>993,037,528.98</u>	<u>78,645,532.23</u>			<u>275,010,401.50</u>	<u>1,063,629,483.35</u>	<u>2,668,251,851.60</u>

Legal Representative: Zhang Xuhua Finance Officer (CFO): Song Yaoming Financial Manager: Tian Hui

Parent Company's Statement of Changes in Equity

For the year ended 31 December 2023

Prepared by: FIYTA Precision Technology Co., Ltd.

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

Items	Prior Period							
	Share capital	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
1. Closing balance of last year	426,051,015.00	1,045,449,410.67	60,585,678.92			275,010,401.50	806,441,654.46	2,492,366,802.71
Add: Increase/decrease due to changes in accounting policies								
Increase/decrease due to corrections of errors in prior period								
Others								
2. Opening balance of current year	426,051,015.00	1,045,449,410.67	60,585,678.92			275,010,401.50	806,441,654.46	2,492,366,802.71
3. Increase/decrease for current year	-8,423,055.00	-34,531,634.48	-9,825,872.76				136,575,512.42	103,446,695.70
I. Total comprehensive income							261,994,651.82	261,994,651.82
II. Owner's contributions to and withdrawals of capital	-8,423,055.00	-34,531,634.48	-9,825,872.76					-33,128,816.72
i. Common stock contributed/paid-in capital by shareholders/owners	-7,987,217.00	-42,265,614.88						-50,252,831.88
ii. Capital contributed by other equity instruments holders								
iii. Share-based payments to owners' equity	-435,838.00	7,749,023.57	-9,825,872.76					17,139,058.33
iv. Others		-15,043.17						-15,043.17
III. Profits distribution							-125,419,139.40	-125,419,139.40
i. Appropriation of surplus reserve								
ii. Distribution to owners							-125,419,139.40	-125,419,139.40
iii. Others								
IV. Transfers within owners' equity								
i. Capital reserves transferred to paid-in capital								
ii. Surplus reserve transferred to paid-in capital								
iii. Use of surplus reserve to cover previous losses								
iv. Changes in remeasurement of defined benefit plans transferred to retained earnings								
v. Other comprehensive income transferred to retained earnings								
vi. Others								
V. Special reserves								
i. Appropriated during current year								
ii. Used during current year								
VI. Others								
4. Closing balance of current year	<u>417,627,960.00</u>	<u>1,010,917,776.19</u>	<u>50,759,806.16</u>			<u>275,010,401.50</u>	<u>943,017,166.88</u>	<u>2,595,813,498.41</u>

Legal Representative:Zhang Xuhua Finance Officer (CFO):Song Yaoming Financial Manager:Tian Hui

FIYTA Precision Technology Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2023

I. Company status

1. Registered place, organization and address of headquarters

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

As at 31 December 2023, the outstanding shares issued by the Company was 415.22 million shares and the registered capital was RMB415.22 million after a series of share dividend, right offering, share capital conversion from retained earnings, and issuing of new shares. The Company’s registered address is FIYTA Hi-Tech Building, Gao Xin Nan Yi Dao, Nanshan District, Shenzhen, Guangdong Province, where the Company’s headquarters locates. The parent company of the Company is CATIC Shenzhen Holdings Limited (CATIC Shenzhen) and the ultimate controlling party of the Company is Aviation Industry Corporation of China, Ltd. (AVIC).

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

The business nature and main operating activities of the Company and its subsidiaries mainly include: Watch and Clock Sales; Watch and Timing Instrument Manufacturing; Watch and Timing Instrument Sales; Jewelry Wholesale; Jewelry Retail; Wearable Intelligent Devices Manufacturing; Wearable Intelligent Devices Sales; Property Management; Non-residential Real Estate Leasing; Professional Design Services; Import and Export of Goods; Sales of Household Electrical Appliances; Sales of Satellite Mobile Communication Terminals; Import and Export Business (according to Shen Mao Jin Zhun Zi No.2001-2204).

3. Scope of consolidation

There were 12 subsidiaries that are included in the Company’s scope of consolidation for year 2023, see Note VI for details. The scope of consolidation was the same as last year.

4. Authorization for issue

The financial statements have been approved and authorized for issue by the Board of

Directors on 12 March 2024.

II. Basis of preparation

1. Basis of preparation

The financial statement is prepared in accordance with the requirements of Accounting Standards for Business Enterprises and associated application guidance, illustrations to the standards and related pronouncements (collectively known as “Accounting Standards for Business Enterprises” or “CAS”) . These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosure of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” (revised in 2023) issued by China Securities Regulatory Commission (CSRC) .

2. Going concern

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

3. Basis and principles of accounting

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

III. Significant accounting policies and accounting estimates

1. Highlight to specific accounting policies and estimates

(1) The Company make specific accounting policies and estimates according to its nature of business. Accounting policies and estimates mainly includes: method of estimated credit loss accrual (Note III. 13, Note III. 14 and Note III. 15) , measurement of inventory (Note III. 16) , depreciation of investment property and fixed asset and amortization of intangible asset (Note III. 19, Note III. 20 and Note III. 24) , revenue (Note III, 32) etc.

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

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

The management estimates impairment loss provision to accounts receivable and other

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

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

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

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

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

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

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

(d) Corporate income tax. The final tax treatment of many transaction and events are with

uncertainty in the normal course of operation. Significant judgments involves in accrual of corporate income tax. If there is difference between the final discretion and the amount recorded in books, the difference will affect the amount of tax in the period of final discretion.

2. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises. These financial statements present truly and completely the financial position as at 31 December 2023, the results of operations and the cash flows for the year then ended of the Company.

3. Accounting period

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

4. Operating cycle

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

5. Recording currency

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

6. Methodology for determining materiality criteria and basis for selection

Item	Materiality criteria
Accounts receivable with significant amount of bad debt provision reversed or recovered during the period	Individual closing balance of 0.50 million or more
Significant other accounts payable aged over one year	Individual closing balance of 1.00 million or more

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

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

1) the transactions were entered into at the same time or by considering each other's

influence;

2) a complete business result can only be achieved by combining all these transactions together;

3) the performing of one transaction is depended on at least one other transaction;

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

(2) Business combination involving entities under common control

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

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

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

(3) Business combinations involving entities not under common control

The purchase date refers to the date that the Company actually acquired control over the acquiree i.e. the date when the control over the acquiree's net assets or decision of business

operation has been transferred to the Company. If the Company fulfills the following conditions at the same time, it is considered that the control has been transferred:

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

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

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

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

(4) Transaction costs for business combination

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

8. Criteria for judging control and the preparation of consolidated financial statements

(1) Criteria for determining control

Control means that the investor has power over the investee, enjoys variable returns through participation in the investee's relevant activities, and has the ability to use its power over the investee to influence the amount of its returns.

The Company makes a judgment on whether or not to control an investee based on a comprehensive consideration of all relevant facts and circumstances. The Company re-evaluates its judgment once changes in relevant facts and circumstances result in a change in the relevant elements involved in the definition of control. Relevant facts and circumstances mainly include:

- ① the purpose for which the investee was established;
- ② relevant activities of the investee and how decisions are made about relevant activities;
- ③ whether the investor enjoys rights that currently give it the ability to dominate the investee's relevant activities;
- ④ whether the investor enjoys a variable return through participation in the investee's relevant activities;
- ⑤ the ability of the investor to use its power over the investee to influence the amount of its return;
- ⑥ relationships between investors and other parties.

(2)

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

(3) Procedures of consolidation

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

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

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

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

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

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

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

1) Addition of subsidiaries or business operation

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

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

combination date shall offset opening retained earnings or current period profit or loss respectively.

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

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

2) Disposal subsidiary or business

a) General principal

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

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

b) Disposal of subsidiary through multiple steps

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

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

ii) a complete business result can only be achieved by combining all these transactions together;

iii) the performing of one transaction is depended on at least one other transaction;

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

If the disposal was categorized as one-basket transaction, the Company dealt with all

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

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

3) Acquiring non-controlling interests of subsidiary

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

4) Partially disposal subsidiary equity without losing control

The difference between the consideration received from partial disposal of the long-term equity investment in the subsidiary without losing control and the share of net assets of the subsidiary that is continuously calculated from the purchase date or the merger date corresponding to the disposal of the long-term equity investment, to adjust the share premium in the capital reserve in the consolidated balance sheet, if the share premium in the capital reserve is insufficient to offset, adjust the retained earnings.

9. Joint arrangement classification and accounting treatment for joint operation

(1) Classification

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

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

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

(2) Accounting treatment to joint operation

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

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

The Company contribute or disposal of assets (except that asset constitute business) . Before these assets are sold to third party, the Company only recognizes the portion of profit or losses that attributes to the other party. If the assets incurred impairment (meets the requirements of the "Accounting Standards for Business Enterprises No. 8 - Impairment of Assets"), the Company recognizes losses in full.

For the assets purchased from joint operation (except that constitutes business) , before it is sold to third party, only the portion that attributable to the other parties. If assets incurred impairment (meets the requirements of the "Accounting Standards for Business Enterprises No. 8 - Impairment of Assets"), the Company recognizes losses based on its share.

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

10. Cash and cash equivalents

When preparing cash flow statement, the Company recognizes cash in hand and bank deposit that available for payment as cash. Cash equivalents include short-term (generally expires within three months from the date of purchase),highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

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

(1) Foreign currency transactions

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

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

rate at the transaction date.

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

(2) Translation of foreign currency financial statements

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

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

12. Financial instruments

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

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

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

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

(1) Recognition and derecognition of financial instruments

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

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

Financial assets are measured at fair value at initial recognition. But it is recognized using

trading price for accounts receivable or notes receivable arose from sale of goods or providing of service that does not including material financing component or does not consider financing component within one year.

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Financial assets at fair value through other comprehensive income

The Company shall classify financial assets that meet the following conditions and are not designated as financial assets measured at fair value and whose changes are recorded in current profit or loss as financial assets measured at fair value through other comprehensive income: The Group's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets, and the terms of the financial asset contract stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal.

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

Notes receivable and accounts receivable measured at fair value through other comprehensive income are listed as receivables financing, and other such financial assets are listed as other debt investments, of which: one year from the balance sheet date Other debt investments due within one year are listed as non-current assets due within one year, and other debt investments with an original maturity date within one year are listed as other current assets.

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

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

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

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

4) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

(2) Classification and measurement of financial liabilities

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

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

Subsequent measurement of financial liabilities depends on its category:

1) Financial liabilities at fair value through profit or loss

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

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

liabilities held for trade are measured at fair value subsequently and all fair value changes except for hedging accounting shall be included in current period profit or loss.

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

a) accounting mismatches can be eliminated or significantly reduced.

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

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

2) Other financial liabilities

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

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

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

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

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

(3) Derecognition of financial instruments

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

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

b) The financial asset has been transferred, and the transfer meets the requirements of the

“Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets” regarding derecognition of financial assets.

2) Conditions of derecognition of financial liabilities

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

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

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

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

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

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

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

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

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

b) If the control over the financial asset is retained, the relevant financial asset shall be continuously recognized according to the degree of its continuous involvement in the transferred financial asset, and the relevant liabilities shall be recognized accordingly. The degree of continued involvement in the transferred financial assets refers to the degree to which the company bears the risk or reward of the value change of the transferred financial assets

When judging whether the transfer of financial assets satisfies the conditions for

derecognition above, the principle of substance over form is adopted. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

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

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

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

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

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

The fair value of financial assets or financial liabilities with active market is determined by active market quotations; active market quotations include quotations that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory authorities for related assets or liabilities, and represent actual and frequently occurring market transactions on a fair trade basis.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of the market transaction price.

The fair value of financial assets or financial liabilities without active market is determined using valuation techniques. In valuation, the Company adopts valuation techniques that are applicable under current circumstances and that are supported by adequate available data and other information, selects inputs with consistent asset or liability characteristics considered by market participants in trading related asset or liability, and uses relevant observable inputs where possible. Unobservable inputs are used where the relevant observable inputs are not available or are impracticable.

(6) Provision for impairment of financial assets

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

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all

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

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

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

Except for the above-mentioned simplified measurement methods and purchased or originated credit-impaired assets, the Company assesses whether the credit risk of the other financial assets has increased significantly since the initial recognition on each balance sheet date, and separately measures its loss provision, recognizes expected credit loss and its changes based on the following circumstances:

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

b) If the credit risk of the financial instruments has increased significantly since the initial recognition but no impairment has occurred, the loss provision is measured at the amount equivalent to the lifetime expected credit loss of the financial instruments, regardless of whether the basis the Company assesses the credit losses is on individual financial instrument or a combination of financial instruments, and the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain.

c) For financial instruments in the third stage which the financial instrument has been impaired since initial recognition, the Company measures loss provision on the basis of life-time expected credit loss and calculating interest income according to their book balance minus the impairment provision and the actual interest rate.

Incremental or reversal of credit loss provision shall be included in current profit or loss as

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

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

1) Assessment of significant increase of credit risk

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

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

- a) Whether there is serious deterioration of the debtor's operating results that have occurred or are expected to occur;
- b) Changes in the existing or anticipated technological, market, economic or legal environment will have a significant negative impact on the debtor's repayment capacity.
- c) Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected to occur;
- d) Whether the expected performance and repayment of debtor changes significantly.
- e) Whether the Company changed the way of managing financial assets.

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

2) Provision for impairment of financial assets

When one or more events that adversely affect the expected future cash flows of a financial

asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence that credit impairment has occurred in a financial asset includes the following observable information:

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

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

3) Determining expected credit loss (ECL)

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

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

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

- a) For financial assets, credit loss is the present value of difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company.
- b) For lease receivable, credit loss is the present value of difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company.
- c) For financial guarantee contract, credit loss is the present value of expected payment amount due to credit losses happened to the owner of the contract and less any amount that the Company expected to receive from the contract owner, debtor or other parties.
- d) For financial assets that already impaired on balance sheet date but not impaired when purchasing, the credit loss is the difference of carrying amount and present value of future cash

flows discounted at original effective interest rate.

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

4) Write off

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

(7) Offset of financial assets and financial liabilities

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

- 1) The Company has a statutory right to offset the recognized amount, and such legal right is currently enforceable;
- 2) The Company plans to settle in net amount or to realize the financial assets and settle the financial liabilities at the same time.

13. Bill receivables

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

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

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

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

14. Accounts receivables

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

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

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

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

15. Other receivables

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

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

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

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

16. Inventory

(1) Inventory categories, issue valuation method, inventory system, amortization method for low value consumables and packages.

1)Classification

Inventory refers to the finished products or commodities that the Company holds for sale in

its daily activities, semi-products in the production process, materials and consumables used in the production process or the provision of labour services. Inventories include raw materials, work in progress, and finished goods.

2) Valuation method of inventory

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

3) Inventory count system

The Company maintains a perpetual inventory system.

4) 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.

(2) Basis for determining and method for provision for obsolete inventories

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

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

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

Provision for decline in value of inventories by portfolio is as follows:

categories	Basis for category determination	Basis for determining net realizable value for this category
Inventory ageing portfolio	New products launched in the current year under our own brand	No provision for decline in value

17. Contract assets

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

Refer to Note XII 6 for impairment to contract asset.

18. Long-term Equity Investment

(1) Determination of investment cost

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

2) Long-term equity investment obtained by other means

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

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

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

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

(2) Subsequent measurement and profit and loss recognition

1) Cost method

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

2) Equity method

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

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

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

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

When the Company recognizes the losses incurred by the investee that it should bear, it shall deal with it in the following order: Firstly, offset the carrying amount of the long-term equity investment. Secondly, if the carrying amount of the long-term equity investment is not enough to be offset, the investment loss will continue to be recognized to the extent of carrying amount of

other long-term equity that virtually constitutes a net investment in the investee, and the carrying amount of the long-term receivables is offset. Finally, after the above-mentioned treatment, if the enterprise still bears additional obligations in accordance with the investment contract or agreement, the projected liabilities are recognized according to the estimated obligations and included in the current investment losses.

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

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

1) Fair value measurement to equity method accounting

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

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

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

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

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

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

3) Equity method accounting to fair value measurement

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

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

4) Cost method to equity method

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

5) Cost method to fair value measurement

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

(4) Disposal of long-term equity investment

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

If the terms, conditions and economic impact of each transaction on disposal of the equity

investment in a subsidiary satisfy one or more of the following cases, the multiple transactions are treated as a package transaction:

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

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

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

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

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

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

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

(5) Judging criteria for joint control and significant influence

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

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

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

19. Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings. Besides, for empty constructions that the Company held for rent lately but with the written resolution from the board stated that it will be used as operating lease and that intention will not be changed in short-term, it can be treated as investment property.

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

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

Category	Estimated useful life (years)	Residual value rate %	Depreciation rate %
Property	20-35	5.00	2.71-4.85

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

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

20. Fixed assets

(1) Recognition conditions of fixed assets

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

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

(2) Initial measurement of fixed assets

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

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

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

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

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

(3) Subsequent measurement and disposal of fixed assets

1) Depreciation of fixed assets

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

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

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

Class	Method of depreciation	Estimated useful life (years)	Residual value rate %	Depreciation rate %
Property and plant	Straight-line	20-35	5.00	2.71-4.85
Machinery and equipment	Straight-line	10	5.00-10.00	9.00-9.50
Electronic equipment	Straight-line	5	5.00	19.00
Motor vehicles	Straight-line	5	5.00	19.00
Others	Straight-line	5	5.00	19.00

2) Subsequent expenditures on fixed assets

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

3) Disposal of fixed assets

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

21. Construction in Progress

(1) Initial measurement of construction in progress

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

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

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

22. Borrowing Costs

(1) Recognition principle for capitalization of borrowing costs

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

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

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

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

(2) Capitalization period of borrowing costs

The period of capitalization refers to the period from the point of time when the borrowing

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

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

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

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

(3) Suspension of capitalization period

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

(4) Calculation for capitalization amount of borrowing costs

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

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

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

23. Right-of-use Assets

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

- (1) initial measurement amount of lease liabilities;
- (2) lease payments made before or at the beginning of the lease term, and deduction of the relevant amount of rental incentives if any;
- (3) initial direct expenses incurred by the Company;

(4) expected costs to be incurred by the Company for dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the state agreed in the lease terms (excluding costs incurred for the production of inventory)

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

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

24. Intangible Assets and Development Expenditure

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

(1) Initial measurement of intangible assets

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

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

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

For intangible asset obtained through business absorption or combination under common control, its book value is determined by the carrying amount of the combined party; for intangible

asset obtained through business absorption or merger not under common control, its book value is determined by the fair value of the intangible asset.

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

(2) Subsequent measurement of intangible assets

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

1) Intangible assets with a limited useful life

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

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

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

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

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

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

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

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

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

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

- 1) It is technically feasible to complete the intangible asset so that it can be used or sold;
- 2) With an intention to complete the intangible asset and to use or sell it;

3) The way the intangible asset generates economic benefits can prove the existence of a market for the products produced using the intangible asset or a market for the intangible asset itself, and if the intangible asset will be used internally, its usefulness can be proven;

4) Having sufficient technical, financial resources and other resource support to complete the development of the intangible asset, and having the ability to use or sell the intangible asset;

5) Expenditure attributable to the development stage of the intangible asset can be reliably measured.

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

25. Impairment on Long-term Assets

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

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

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

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

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

In the impairment test of goodwill, the book value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise

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

26. Long-term Deferred Expenses

(1) Amortization method

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

(2) Amortization period

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

27. Contract liabilities

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

28. Employee Remuneration

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

(1) Short-term remuneration

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

(2) Post-employment benefits

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

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

Defined contribution plan of the post-employment benefits mainly refers to the social basic endowment insurance, unemployment insurance, etc. organized and implemented by local labour and social security institutions; During the accounting period when employees render services to the Company, amount payable calculated by the defined contribution plan is recognized as a liability and included in the current profit or loss or related asset costs.

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

(3) Termination benefits

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

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

adjustment of welfare standards are included in current profit or loss when incurred.

(4) Other long-term employee benefits

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

29. Projected liabilities

(1) Basis for recognition of projected liabilities

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

This obligation is a present obligation assumed by the Company;

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

The amount of this obligation can be measured reliably.

(2) Measurement method of projected liabilities

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

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

The best estimate is determined in different situations as follow:

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

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

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

30. Lease liabilities

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

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

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

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

31. Share-based payment

(1) Category of share-based payment

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

(2) Recognition method of fair value of equity instrument

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

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

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

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

(4) Accounting treatment

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. For those exercisable immediately after the grant, they shall be included in the relevant costs or expenses at the fair value of equity instruments at the grant date with an increase in capital reserve accordingly. For those exercisable only after provision of services or satisfaction of prescribed performance conditions within the vesting period, on each balance sheet date within the vesting period, the Company will recognize the services received in the current period in related costs or expenses and capital reserves at the fair value of equity instruments on the grant date based on the best estimate of the number of exercisable equity instruments. After the vesting period, relevant costs or expenses and total owners' equity which have been recognized will not be adjusted.

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

During the vesting period, if the equity instruments granted are cancelled, the Company will

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

32. Revenue

The Company's revenue mainly come from:

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

(1) General principal of revenue recognition

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

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

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

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

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

(2) Detailed method for revenue recognition

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

1) Sales of watch

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

① Online sales

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

② Offline sales

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

③ Consignment sale

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

④ Sale of consigned goods from others

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

2) Precision manufacturing

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

3) Property leasing

Refer to Note III 36. (4) for details.

(3) Revenue treatment principles for specific transactions

1) Contracts with sales return provisions

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

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

2) Contracts with quality assurance provisions

The Company assesses whether a separate service is rendered in respect of the quality assurance besides guaranteeing the sales of goods to customers are in line with the designated

standards. When additional service is provided by the Company, it is considered as a single performance obligation and under accounting treatment according to the standards on revenue; otherwise, quality assurance obligations will be under accounting treatment according to the accounting standards on contingent matters

33. Contract costs

(1) Contract performance cost

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

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

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

3) The cost is expected to be recovered

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

(2) Contract obtainment cost

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

(3) Amortization of contract costs

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

(4) Contract cost impairment

For assets related to contract costs, if the book value is higher than the difference between the remaining consideration expected to be received by the Company for transfer of the goods related to the assets and the estimated cost of transferring the relevant goods, the excess should be depreciated and confirmed as an asset impairment loss

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

34. Government Subsidies

(1) Classification

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

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

(2) Recognition of government subsidies

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

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

(3) Accounting treatment

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

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

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

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

Government subsidies related to the discount interest received from policy-related preferential loans offset the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be

taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

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

35. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when it is expected to recover such assets or settle such liabilities.

(1) Criteria for recognition of deferred income tax assets

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

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

(2) Criteria for recognition of deferred income tax liabilities

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

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

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

1) An enterprise has the statutory right to settle the current income tax assets and current income tax liabilities at their net amounts;

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

36. Lease

On the commencement date of the contract, the Company evaluates whether the contract is a lease or contains a lease. If one party to a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or contains a lease.

(1) Splitting a lease contract

When the contract contains a number of separate leases, the Company will split the contract into separate leases for accounting individually.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the lease standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for business enterprises.

(2) Combination of lease contracts

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall merge them into one contract for accounting:

1) Such two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.

2) The amount of consideration for a contract in such two or more contracts depends on the pricing or performance of other contracts.

3) The right-of-use assets transferred by such two or more contracts together constitute a separate lease.

(3) Accounting treatment for the Company as a lessee

On the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases, in addition to short-term leases and low-value asset leases with

simplified treatment.

1) Short-term lease and low value lease

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset is a new asset.

The Company does not recognize right-of-use assets and lease liabilities for short-term lease and low value lease. The payment of such leases shall be charged to profit or loss using straight-line method or other systematic method.

2) Refer to Note III. 23 and Note III. 30 for accounting policies for right-of-use assets and lease liabilities.

(4) Accounting treatment for the Company as a lessor

1) Classification of leases

The Company divides leases into financial leases and operating leases on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all of the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operating leases refer to leases other than financial leases.

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

① At the expiry of the lease term, the ownership of the leased assets is transferred to the lessee.

② The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.

③ Although the ownership of the assets is not transferred, the lease term accounts for the majority of the life of the leased assets.

④ On the commencement date of the lease, the present value of the lease receipts is almost equal to the fair value of the leased assets.

⑤ The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

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

① If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.

② The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.

③ The lessee can continue to lease far below the market level for the next period.

2) Accounting treatment for financial leases

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

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

① Fixed payments and substantive fixed payments after deducting the relevant amount of lease incentives;

② Variable lease payments depending on an index or rate;

③ In the case of reasonably determining that the lessee will exercise the purchase option, the lease receipts include the exercise price of purchase option;

④ If the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receipts include the amount to be paid by the lessee in exercising the option to terminate the lease;

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

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

3) Accounting treatment for operating leases

The Company adopts the straight line method or other systematic and reasonable method to recognize the lease receipts from operating leases as rental income during each period of the lease term. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease term, and shall be recorded in the profit or loss of the current period. Variable lease payments obtained in connection with operating leases that are not incorporated in the lease receipts shall be incorporated in the profit or loss of the period when they actually occur.

37. Termination of business

The Company recognizes components as termination of business components if one of the

following condition is met and that the component has already been disposed or classified as held-for-sale assets and identifiable.

(1) The component represents a stand along major business or a stand along major area in conducting business.

(2) The component is part of plan connecting to disposal of a stand along major business or major area of conducting business.

(3) The component is a subsidiary that obtained specifically for resale.

Operating profit or loss such as the impairment loss and the amount of reversal shall be presented in income statement as profit or loss from terminated business.

38. 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 earing 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.

39. Safety production fee

The safety production fee is accrued by the Company in accordance with national regulations and is included in the cost of related products or current profit or loss, and is also recorded in the "specific reserve" item. When using the safety production fee, if it is an expense expenditure, it shall be directly offset against the special reserve. If the fixed assets are formed, the expenses incurred through the collection of "construction in progress" will be recognized as fixed assets when the safety project is completed and reach the intended usable state; at the same time, the cost of forming fixed assets will be offset against the special reserve, and recognize the accumulated depreciation of the same amount. The fixed assets will not be depreciated in the subsequent period.

40. Significant changes in accounting policies and estimates

(1) Changes in accounting policies

There were no significant changes in accounting policies during the year.

(2) Significant changes in accounting estimates

There were no significant changes in accounting estimates during the year.

IV. Taxes

1. Main types of taxes and corresponding tax rates

Tax type	Basis	Tax rate	note
VAT	Domestic sales, providing manufacturing and repairing services	13%	
	Property leasing	9%	
	Other taxable services	6%	
	Simplified method	5%	
Consumption tax	Luxury watches	20%	
Urban maintenance and construction tax	Turnover tax payable	7%、5%	
Corporate income tax	Taxable income	See below table	
Property tax	70% or 80% of the original cost of property or rental income	1.2%、12%	

Corporate income tax of different entities:

Name of entities	CIT rate
Shenzhen HARMONY World Watch Center Co., Ltd.(①)	25%
FIYTA Sales Co., Ltd.(①)	25%
Shenzhen FIYTA Precision Technology Co., Ltd.(②)	15%
Shenzhen FIYTA Technology Development Co., Ltd.(②)	15%
HARMONY World Watch Center(Hainan) Co., Ltd.(⑤)	20%
Shenzhen Xunhang Precision Technology Co., Ltd.	25%
Emile Choureit Timing (Shenzhen) Ltd.	25%
Liaoning Hengdarui Commercial & Trade Co., Ltd.	25%
EMPORAL (Shenzhen) Co., Ltd.	25%
Shenzhen Harmony E-commerce Co., Ltd.(⑤)	20%
FIYTA (Hong Kong) Ltd.(③)	16.5%
Montres Chouriet SA(④)	30%

Note ①: According to the regulations stated in “Interim Administration Method for Levy of Corporate Income Tax to Enterprise that Operates Cross-regionally”, the head office of the Company and its branch offices, the head office of HARMONY Company and its branch offices, and the head office of Sales Company and its branch offices adopt tax submission method of “unified calculation, managing by classes, pre-paid in its registered place, settlement in total, and

adjustment by finance authorities”. Branch offices mentioned above share 50% of the enterprise income tax and prepay locally; and 50% will be prepaid by the head offices mentioned above.

Note ②: 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 ③: These companies are registered in Hong Kong and the income tax rate of Hong Kong applicable is 16.50% this year.

Note ④: The comprehensive tax rate of 30% is applicable for Swiss Company as it registered in Switzerland.

Note ⑤: These companies are small and low-profit enterprises, which enjoy 20% tax rate.

2. Preferential treatment and corresponding approval

According to “Proclamation of Ministry of Finance and State Administration of Taxation in Preferential Tax Rate to Small and Low Profit Enterprises and Sole-proprietors” (Caishui (2023) No.6), small low-profit enterprises will be included in taxable income at 25% and to be taxed at a rate of 20%.

According to “Notice of Ministry of Finance and State Administration of Taxation in Extending Expiration Period of Utilizing Losses for High-Tech Enterprises and Scientific Oriented Medium and Small Enterprises” (Cai Shui [2018] No. 76) , starting from January 1, 2018. , 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.

According to the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Improving the Policy of Pre-tax Deduction of Research and Development Expenses (Cai Shui [2023] No. 7), the research and development expenses actually incurred by enterprises in carrying out research and development activities, which have not been formed into intangible assets and recognized as profit and loss for the current period, shall be deducted on the basis of actual deduction in accordance with the regulations, and then deducted in accordance with 100% of the actual amount incurred before tax starting from 1 January 2023; and if they are formed into If the intangible assets are formed, starting from January 1, 2023, the intangible assets will be amortized at 200% of the cost of the intangible assets before tax.

A two-tier profits tax system will be implemented in Hong Kong from 2019, providing that the profits tax rate for Hong Kong companies will be reduced to 8.25% for the first HK2,000,000.00, with profits thereafter continuing to be taxed at 16.5%.

V. Notes to main items of the consolidated financial statements

(Unless otherwise indicated, the currency unit is Renminbi Yuan, the end of the period refers to December 31, 2023, the beginning of the period refers to January 1, 2023, and the end of the last period refers to December 31, 2022)

Note 1. Monetary funds

Item	Closing balance	Opening balance
Cash on hand	178,996.87	173,368.68
Cash at bank	35,443,378.12	41,106,861.46
Other monetary funds	1,262,979.96	1,140,201.67
Deposit in finance company	467,743,798.76	271,327,031.83
Total	504,629,153.71	313,747,463.64
Including: Total overseas deposits	1,202,601.86	716,733.44

Deposit in finance company mainly deposited with AVIC Finance Co., Ltd.

As of December 31, 2023, The Company has no amounts pledged, frozen, or at potential risk of recovery.

Cash with restricted usage is as follows

Item	Closing balance	Opening balance
Overseas deposit with restrictions remitting back	1,202,601.86	716,733.44

Note 2. Bill receivable

1. Presented by category

Item	Closing balance	Opening balance
Bank acceptance bills	10,363,449.00	10,690,221.03
Commercial acceptance bills	7,905,523.37	21,524,691.07
Total	18,268,972.37	32,214,912.10

2. Presented by ECL types

Type	Closing balance				Book value
	Carrying amount		Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on single basis	18,685,052.55	100.00	416,080.18	2.23	18,268,972.37
Including: Commercial acceptance bills	8,321,603.55	44.54	416,080.18	5.00	7,905,523.37
Risk-free Bank acceptance bills	10,363,449.00	55.46			10,363,449.00
Total	18,685,052.55	100.00	416,080.18	2.23	18,268,972.37

Continued:

Type	Opening balance		
	Carrying amount	Provision	Book value

	Amount	Percentage (%)	Amount	Percentage (%)	
Notes receivable that provided expected credit losses on single basis					
Notes receivable that provided expected credit losses on single basis	33,347,790.58	100.00	1,132,878.48	3.40	32,214,912.10
Including: Commercial acceptance bills	22,657,569.55	67.94	1,132,878.48	5.00	21,524,691.07
Risk-free Bank acceptance bills	10,690,221.03	32.06			10,690,221.03
Total	33,347,790.58	100.00	1,132,878.48	3.40	32,214,912.10

3. Notes receivable with expected credit loss provided based on credit risk characteristic portfolio

Portfolio	Closing balance		
	Carrying amount	Provision	Percentage (%)
Bank acceptance bills	8,321,603.55	416,080.18	5.00
Commercial acceptance bills	10,363,449.00		
Total	18,685,052.55	416,080.18	

4. Bad debt movements in current period

Types	Opening balance	Movements				Closing balance
		Accrual	Received or reversal	Written-off	Other changes	
Notes receivable that provided expected credit losses on single basis						
Notes receivable that provided expected credit losses on single basis	1,132,878.48		716,798.30			416,080.18
Including: Commercial acceptance bills	1,132,878.48		716,798.30			416,080.18
Risk-free Bank acceptance bills						
Total	1,132,878.48		716,798.30			416,080.18

5. Bills have been endorsed but not yet due at the end of the period.

Item	Amount de-recognized	Amount not de-recognized
Bank acceptance bills	47,646,674.86	

Note 3. Accounts receivable

1. Presentation by aging

Aging	Closing balance	Opening balance
Within 1 year	333,204,160.07	311,934,503.90
1-2 years	2,123,874.00	14,972,671.61
2-3 years	4,200,458.08	2,781,542.85
Over 3 years	18,005,255.95	16,064,539.96
Subtotal	357,533,748.10	345,753,258.32
Less: provision for bad debt	34,390,986.46	40,462,298.64
Total	323,142,761.64	305,290,959.68

2. Presentation by method of providing bad debt

Category	Closing balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis	24,708,541.73	6.91	23,148,792.25	93.69	1,559,749.48
Accounts receivable that provided expected credit losses on portfolio basis	332,825,206.37	93.09	11,242,194.21	3.38	321,583,012.16
Including: Receivable from other customers	332,825,206.37	93.09	11,242,194.21	3.38	321,583,012.16
Total	357,533,748.10	100.00	34,390,986.46		323,142,761.64

Continued:

Category	Opening balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis	34,982,967.68	10.12	29,705,797.13	84.92	5,277,170.55
Accounts receivable that provided expected credit losses on portfolio basis	310,770,290.64	89.88	10,756,501.51	3.46	300,013,789.13
Including: Receivable from other customers	310,770,290.64	89.88	10,756,501.51	3.46	300,013,789.13
Total	345,753,258.32	100.00	40,462,298.64	11.70	305,290,959.68

3. Accounts receivable that provided expected credit losses on single basis included in the closing balance

Name	Closing balance			Reasons
	Carrying amount	Bad debt provision	ECL rate (%)	
Receivable from other customers	24,708,541.73	23,148,792.25	93.69	Existence of disputes, customer

Name	Closing balance			Reasons mismanagement, etc.
	Carrying amount	Bad debt provision	ECL rate (%)	

4. In the portfolio, accounts receivable with expected credit loss provided based on credit risk characteristic portfolio

Portfolio of receivable from other customers

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	330,569,799.62	9,694,581.78	2.93
1-2 years	786,438.13	78,643.81	10.00
2-3 years			
Over 3 years	1,468,968.62	1,468,968.62	100.00
Total	332,825,206.37	11,242,194.21	

5. Movements of provision during the period

Types	Opening balance	Movements during the period				Closing balance
		Accrual	Recovered or reversed	Written-off	Other movements	
Accounts receivable that provided expected credit losses on single basis	29,705,797.13	1,013,478.97	7,508,493.54	85,000.00	-23,009.69	23,148,792.25
Accounts receivable that provided expected credit losses on portfolio basis`	10,756,501.51	1,052,151.99	751,246.27		-184,786.98	11,242,194.21
Including: Receivable from other customers	10,756,501.51	1,052,151.99	751,246.27		-184,786.98	11,242,194.21
Total	40,462,298.64	2,065,630.96	8,259,739.81	85,000.00	-207,796.67	34,390,986.46

Including: main recovery of bad debt provision in current period:

Name	Amount	Way of recovery	Note
Fuzhou Cangshan Suning e-buy Plaza Co., Ltd.	4,547,371.89	Bank transfer	
Shanghai Pudong Suning e-buy Business Management Co., Ltd.	791,000.00	Bank transfer	
Fuzhou Suning e-buy Plaza Co., Ltd.	706,157.30	Bank transfer	

6. Accounts receivable actually written off during the period

Item	Amount written off
Accounts receivable actually written off	85,000.00

Including: main accounts receivable write-offs:

Name	Nature	Amount	Reasons for write-offs	Write-off procedures performed	Whether arising from connected transactions
Xi'an Tangcheng Limited	Payment for goods	85,000.00	Too old to take back	General manager's office	Clogged
Total		85,000.00			

7. Top 5 receivable accounts

Name	Closing balance	Proportion in total closing balance of accounts receivable (%)	Bad debt provision
Top 5 receivables accounts in total	76,589,281.00	21.42	3,829,464.05

Note 4. Prepayments

1. Presentation of prepayments by aging

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	6,564,760.64	99.90	8,039,794.97	100.00
1-2 years	6,479.34	0.10		
2-3 years				
Total	6,571,239.98	100.00	8,039,794.97	100.00

2. Top 5 prepayments

Name	Closing balance	Proportion in total closing balance of prepayments (%)
Top 5 prepayments in total	2,884,693.00	43.90

Note 5. Other receivable

1. Presentation of other receivables by aging

Aging	Closing balance	Opening balance
Within one year	22,481,619.93	59,711,314.91
1 - 2 years	38,313,327.26	216,120.00
2- 3 years	119,250.00	649,029.90
Over 3 years	1,159,704.90	606,105.00
Subtotal	62,073,902.09	61,182,569.81
Less: bad debt provision	4,348,110.09	4,264,550.33

Aging	Closing balance	Opening balance
Total	57,725,792.00	56,918,019.48

2. Presented by nature

Nature	Closing balance	Opening balance
Security deposit	51,775,226.86	49,430,408.24
Petty cash	1,549,821.50	2,841,915.70
Others	8,748,853.73	8,910,245.87
Subtotal	62,073,902.09	61,182,569.81
Less: bad debt provision	4,348,110.09	4,264,550.33
Total	57,725,792.00	56,918,019.48

3. Presented according to three stages of financial assets impairment

Item	Closing balance			Opening balance		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
First stage	60,655,587.19	2,980,723.19	57,674,864.00	59,703,389.91	2,850,206.43	56,853,183.48
Second stage						
Third stage	1,418,314.90	1,367,386.90	50,928.00	1,479,179.90	1,414,343.90	64,836.00
Total	62,073,902.09	4,348,110.09	57,725,792.00	61,182,569.81	4,264,550.33	56,918,019.48

4. Presented by bad debt provision method

category	Closing balance				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis	1,418,314.90	2.28	1,367,386.90	96.41	50,928.00
Other receivables that provided expected credit losses on portfolio basis	60,655,587.19	97.72	2,980,723.19	4.91	57,674,864.00
Including: Security deposit portfolio	51,304,601.86	82.65	2,603,277.66	5.07	48,701,324.20
Petty cash portfolio	1,549,821.50	2.50			1,549,821.50
Social security payment on-behalf portfolio	284,862.55	0.46			284,862.55
Portfolio of others	7,516,301.28	12.11	377,445.53	5.02	7,138,855.75
Total	62,073,902.09	100.00	4,348,110.09		57,725,792.00

Continued

Category	Opening balance
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	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis	1,479,179.90	2.42	1,414,343.90	95.62	64,836.00
Other receivables that provided expected credit losses on portfolio basis	59,703,389.91	97.58	2,850,206.43	4.77	56,853,183.48
Including: Security deposit portfolio	48,600,258.24	79.43	2,476,810.04	5.10	46,123,448.20
Petty cash portfolio	2,841,915.70	4.64			2,841,915.70
Social security payment on-behalf portfolio	279,769.98	0.46			279,769.98
Portfolio of others	7,981,445.99	13.05	373,396.39	4.68	7,608,049.60
Total	61,182,569.81	100.00	4,264,550.33	6.97	56,918,019.48

5. Other receivables that provided expected credit losses on single basis included in the closing balance

Name	Closing balance			
	Carrying amount	Bad debt provision	ECL rate (%)	Reason
Receivable from others	1,418,314.90	1,367,386.90	96.41	Commercial disputes

6. In the portfolio, other receivables with expected credit loss provided based on credit risk characteristic portfolio

(1) Security deposit portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	28,136,399.98	1,406,820.01	5.00
1 - 2 years	23,028,151.88	1,151,407.65	5.00
2- 3 years	100,000.00	5,000.00	5.00
Over 3 years	40,050.00	40,050.00	100.00
Total	51,304,601.86	2,603,277.66	

(2) Petty cash portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	1,511,048.50		
1 - 2 years	19,523.00		
2- 3 years	19,250.00		
Total	1,549,821.50		

(3) Social security payment on-behalf portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	284,862.55		

(4) Portfolio of others

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	7,516,301.28	377,445.53	5.02

7. Provision for bad debts of other receivables

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Opening balance	2,850,206.43		1,414,343.90	4,264,550.33
Opening balance movements in current period				
—Transfer into the second stage				
—Transfer into the third stage				
—Reverse back to the second stage				
—Reverse back to the first stage				
Accrual during the period	188,362.28		15,525.00	203,887.28
Reversed during the period	-58,073.95		-62,482.00	-120,555.95
Recovered during the period				
Written-off during the period				
Other movements	228.43			228.43
Closing balance	2,980,723.19		1,367,386.90	4,348,110.09

8. No other receivables were written-off during the period.

9. Top 5 other receivable accounts

Name	Closing balance	Proportion to closing balance of other receivables (%)	Closing balance of bad debts provision
Top 5 other receivables in total	7,763,649.48	12.51	388,182.48

Note 6. Inventory

1. Classification

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Raw material	167,281,491.84	5,290,855.71	161,990,636.13	162,338,704.65	17,241,512.65	145,097,192.00
WIP	12,060,525.88		12,060,525.88	7,204,699.11		7,204,699.11
Stored goods	1,993,236,975.36	66,621,962.09	1,926,615,013.27	2,085,640,712.37	96,622,229.81	1,989,018,482.56
Total	2,172,578,993.08	71,912,817.80	2,100,666,175.28	2,255,184,116.13	113,863,742.46	2,141,320,373.67

2. Provision for inventory

Item	Opening balance	Increase in current period		Decrease in current period			Closing balance
		Accrual	Other	Reversed	Realized	Others	
Raw material	17,241,512.65	1,767,804.67	198,541.68		13,917,003.29		5,290,855.71
Stored goods	96,622,229.81	11,782,189.77	16,398.16	14,121,974.81	27,676,880.84		66,621,962.09
Total	113,863,742.46	13,549,994.44	214,939.84	14,121,974.81	41,593,884.13		71,912,817.80

Notes to provision for inventory

Item	Evidence of determine NRV and future selling cost	Reason for reversal or realized
Raw material	Estimated selling price less estimated cost to complete and selling and distribution expenses and associated taxes	Factors that caused impairment has been disappeared and the NAV is higher than its carrying amount
Stored goods	Estimated selling price less estimated selling and distributing expenses and associated taxes	Inventory that already provided for was sold or used in current period.

3. The provision is accrued by portfolio of assets

Portfolio	Closing balance				Criteria for accrued benefits
	Carrying amount	Provision for inventory		Book value	
		Amount	Percentage (%)		
Inventory ageing portfolio	42,498,540.45			42,498,540.45	New products of own brands launched in the year are not subject to write-downs.
Total	42,498,540.45			42,498,540.45	

Continued:

Portfolio	Opening balance
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	Carrying amount	Provision for inventory		Book value	Criteria for accrued benefits
		Amount	Percentage (%)		
Inventory ageing portfolio	40,147,783.30			40,147,783.30	New products of own brands launched in the year are not subject to write-downs.
Total	40,147,783.30			40,147,783.30	

Note 7. Other current assets

Item	Closing balance	Opening balance
Input VAT	21,032,239.30	12,967,188.47
Input VAT not yet certified	31,717,607.91	39,454,283.19
Prepaid corporate income tax	1,364,632.40	3,419,026.38
Others	18,134,912.20	10,499,007.28
Total	72,249,391.81	66,339,505.32

Note 8. Long-term equity investment

Investee	Opening balance	Movements during the period			
		Addition/new investment	Withdrawn	Investment gains and losses recognized by equity method	Adjustment of other comprehensive income
Associate					
Shanghai Watch Co., Ltd. (Shanghai Watch)	58,182,086.90			-5,819,479.60	

Continued

Investee	Movements during the period				Closing balance	Closing balance of impairment provision
	Changes in other equity	Cash dividend declared	Impairment provision	Others		
Associate						
Shanghai Watch		-500,000.00			51,862,607.30	

Note 9. Other equity instrument investments

Item	Closing balance	Opening balance
Xi'an Tangcheng Limited		85,000.00

Note 10. Investment property

1. Details of investment property

Item	Property
I. Original cost	

Item	Property
1. Opening balance	619,762,618.36
2. Addition	572,405.53
Purchase	
Transferred from fixed assets	572,405.53
Other reasons	
3. Decrease	
Disposal	
Other reasons	
4. Closing balance	620,335,023.89
II. Accumulated depreciation	
1. Opening balance	244,783,123.65
2. Increased in current period	15,296,068.10
Accrual	15,044,992.22
Transferred from fixed assets	251,075.88
Other reasons	
3. Decreased in current period	
Disposal	
Other reasons	
4. Closing balance	260,079,191.75
III. Impairment provision	
1. Opening balance	
2. Increased in current period	
Accrual	
Transferred from fixed assets	
Other reasons	
3. Decreased in current period	
Disposal	
Other reasons	
4. Closing balance	
IV. Book value	
1. Carrying amount at end of the period	360,255,832.14
2. Carrying amount at opening of the period	374,979,494.71

2. Notes to investment property

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

Note 11. Fixed assets

1. Status of fixed assets

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
I. Original cost						
1. Opening balance	436,320,947.20	117,552,809.38	14,472,510.38	47,600,350.65	45,458,802.97	661,405,420.58
2. Increased in current period	6,274,155.66	13,247,259.25	22,133.50	5,638,594.91	1,095,999.30	26,278,142.62
Re-classification						
Purchased	914,818.16	9,069,828.71	22,133.50	5,638,411.80	1,095,999.30	16,741,191.47
Translation difference	5,359,337.50	4,177,430.54		183.11		9,536,951.15
Other increase						
3. Decrease in current period	1,005,470.23	132,279.42	1,217,550.05	2,581,726.49	2,460,547.92	7,397,574.11
Disposal or retired	433,064.70	132,279.42	1,217,550.05	2,260,776.40	1,552,373.54	5,596,044.11
Transferred to investment property	572,405.53					572,405.53
Translation difference				309,957.34	908,174.38	1,218,131.72
Other decrease				10,992.75		10,992.75
4. Closing balance	441,589,632.63	130,667,789.21	13,277,093.83	50,657,219.07	44,094,254.35	680,285,989.09
II. Accumulated depreciation						
1. Opening balance	135,388,740.98	71,466,324.74	12,901,120.89	37,167,150.60	39,853,318.20	296,776,655.41
2. Increased in current period	17,371,592.78	11,708,223.48	334,169.25	2,754,128.08	1,490,096.27	33,658,209.86
Re-classification						
Accrual	13,829,319.29	8,286,484.22	334,169.25	2,673,316.21	1,490,096.27	26,613,385.24
Translation difference	3,542,273.49	3,421,739.26		80,811.87		7,044,824.62
Other increase						
3. Decrease in current period	553,306.35	40,954.90	1,156,620.74	1,964,736.59	2,218,612.28	5,934,230.86
Disposal or retired	302,230.47	40,954.90	1,156,620.74	1,964,736.59	1,281,465.83	4,746,008.53
Transferred to investment property	251,075.88					251,075.88
Translation difference					937,146.45	937,146.45
Other decrease						
4. Closing balance	152,207,027.41	83,133,593.32	12,078,669.40	37,956,542.09	39,124,802.19	324,500,634.41
III. Impairment provision						
1. Opening balance						

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
2. Increase in current period						
Re-classification						
Accrual						
Translation difference						
Other increase						
3. Decrease in current period						
Disposal or retired						
Transferred into investment property						
Translation difference						
Other decrease						
4. Closing balance						
IV. Book value						
1. Carrying amount at end of period	289,382,605.22	47,534,195.89	1,198,424.43	12,700,676.98	4,969,452.16	355,785,354.68
2. Carrying amount at beginning of period	300,932,206.22	46,086,484.64	1,571,389.49	10,433,200.05	5,605,484.77	364,628,765.17

2. Fixed assets that do not have certificate for property right

Item	Book value	Reason for not having certificate for property rights
Property	190,716.25	Issues relating to property right

Note 12. Right-of-use assets

Item	Property
I. Original cost	
1. Opening balance	362,417,078.85
2. Increase in current period	103,612,246.80
Re-classification	
Lease	100,802,964.10
Translation difference	3,116.50
Other increase	2,806,166.20
3. Decrease in current period	312,819,427.84
Maturity of lease term	304,816,556.54
Translation difference	

Item	Property
Other decrease	8,002,871.30
4. Closing balance	153,209,897.81
II. Accumulated depreciation	
1. Opening balance	252,086,566.82
2. Increase in the period	103,960,161.59
Reclassification	
Accrual	103,958,386.94
Translation difference	1,774.65
Other increase	
3. Decrease in the period	312,289,312.24
Maturity of lease term	304,816,556.54
Translation difference	
Other decrease	7,472,755.70
4. Closing balance	43,757,416.17
III. Impairment provision	
1. Opening balance	
2. Increase in the period	
Reclassification	
Accrual	
Translation difference	
Other increase	
3. Decrease in the period	
Maturity of lease term	
Translation difference	
Other decrease	
4. Closing balance	
IV. Book value	
1. Carrying amount at end of period	109,452,481.64
2. Carrying amount at beginning of period	110,330,512.03

Note 13. Intangible asset

1. Status

Item	Land-use right	Software system	Right to use trademarks	Total
I. Original cost				
1. Opening balance	34,933,822.40	33,197,692.51	16,518,590.29	84,650,105.20
2. Increase in the period		2,072,450.42	80,894.93	2,153,345.35

Item	Land-use right	Software system	Right to use trademarks	Total
Purchase		2,072,450.42	80,894.93	2,153,345.35
Internal R&D				
Other source				
3. Decrease in the period		27,470.38		27,470.38
Disposal		27,470.38		27,470.38
Other reasons				
4. Closing balance	34,933,822.40	35,242,672.55	16,599,485.22	86,775,980.17
II. Accumulated amortization				
1. Opening balance	16,515,922.01	25,903,908.15	9,030,056.41	51,449,886.57
2. Increase in the period	733,553.29	1,717,415.91	1,238,214.01	3,689,183.21
Accrual	733,553.29	1,717,415.91	1,238,214.01	3,689,183.21
Other reasons				
3. Decrease in the period		27,470.38		27,470.38
Disposal		27,470.38		27,470.38
Other reasons				
4. Closing balance	17,249,475.30	27,593,853.68	10,268,270.42	55,111,599.40
III. Impairment provision				
1. Opening balance				
2. Increase in the period				
Accrual				
Other reasons				
3. Decrease in the period				
Transfer				
Other reasons				
Other transfer				
4. Closing balance				
IV. Book value				
1. Book value at end of the period	17,684,347.10	7,648,818.87	6,331,214.80	31,664,380.77
2. Book value at beginning of the period	18,417,900.39	7,293,784.36	7,488,533.88	33,200,218.63

Note 14. Long-term deferred expenses

Item	Opening balance	Increase	Amortized	Other decrease	Closing balance
Counter fabrication expenses	22,247,070.17	22,066,842.07	23,175,000.62	2,130,567.78	19,008,343.84

Item	Opening balance	Increase	Amortized	Other decrease	Closing balance
Renovation expenses	116,030,323.61	39,047,795.69	58,272,039.86	509,069.24	96,297,010.20
Others	6,211,058.40	7,760,754.71	6,952,812.02		7,019,001.09
Total	144,488,452.18	68,875,392.47	88,399,852.50	2,639,637.02	122,324,355.13

Note 15. Deferred tax assets and deferred tax liabilities

1. Detail of deferred tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment provision	107,672,653.16	24,371,732.35	143,503,292.94	30,225,885.07
Unrealized profit for related party transactions	83,620,908.60	20,855,280.62	75,781,866.09	18,681,772.44
Deductible losses	126,562,143.51	31,197,892.87	157,860,317.75	37,779,977.71
Restricted shares	6,263,007.85	1,449,733.06	23,141,270.85	5,411,762.47
Advertisement expenses that allowed to deduct in future years			515,068.99	128,767.25
Lease liabilities	109,682,960.95	27,420,740.27	113,136,916.00	28,284,229.00
Others	5,168,527.80	1,292,131.95	7,295,926.80	1,823,981.80
Total	438,970,201.87	106,587,511.12	521,234,659.42	122,336,375.74

2. Detail of deferred tax liabilities before offsetting

Item	Closing balance		Opening balance	
	taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
One-off deduction of fixed asset before Corporate income tax	28,437,227.07	4,265,584.06	29,872,344.91	4,480,851.74
Right-of-use asset	109,212,305.15	27,303,076.29	110,279,028.02	27,569,757.01
Total	137,649,532.22	31,568,660.35	140,151,372.93	32,050,608.75

3. Net-off of deferred tax asset or liabilities

Item	Amount off-set at current period	Closing balance of deferred tax asset or liability after off-set	Amount off-set at prior period	Opening balance of deferred tax asset or liability after off-set
deferred tax asset	26,359,739.66	80,227,771.46	26,551,763.80	95,784,611.94
deferred tax liabilities	26,359,739.66	5,208,920.69	26,551,763.80	5,498,844.95

4. Details of deductible temporary difference and deductible losses that does not recognize as deferred income tax asset

Item	Closing balance	Opening balance
Impairment provision	3,395,341.37	16,220,176.97
Deductible losses	52,523,345.89	50,761,915.00

Item	Closing balance	Opening balance
Total	55,918,687.26	66,982,091.97

Deductible losses of Montres Chouriet SA, which are sub-subsubsidiary 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. FIYTA (Hong Kong) Ltd, a subsidiary of the Company, does not need to recognize the deferred income tax assets for impairment provision according to the local tax policy.

5. Deductible losses that are not recognized as deferred tax asset will due in the following years:

Year	Closing balance	Opening balance	Note
2023		8,456,818.95	
2024	23,049,503.37	18,449,678.50	
2025	29,473,842.52	23,855,417.55	
Total	52,523,345.89	50,761,915.00	

Note 16. Other non-current assets

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Prepayment for construction and equipment	9,434,627.17		9,434,627.17	11,593,741.57		11,593,741.57
Total	9,434,627.17		9,434,627.17	11,593,741.57		11,593,741.57

Note 17. Short-term loan

Item	Closing balance	Opening balance
Credit loans	250,000,000.00	290,000,000.00
Accrued interest payable	187,763.87	237,111.11
Total	250,187,763.87	290,237,111.11

Note 18. Notes payable

Types	Closing balance	Opening balance
Commercial bills payable		2,000,600.00

Note 19. Account payables

Item	Closing balance	Opening balance
Trade payables	148,281,377.41	149,811,781.06
Payables for material purchased	23,371,455.42	19,729,474.20
Payables for project	2,173,074.88	1,048,201.41
Total	173,825,907.71	170,589,456.67

Note 20. Advances from customer

Item	Closing balance	Opening balance
Rental received in advance	10,267,758.31	16,960,128.83
Total	10,267,758.31	16,960,128.83

Note 21. Contract liabilities

Item	Closing balance	Opening balance
Advances for goods received	12,286,243.62	16,844,437.47
Total	12,286,243.62	16,844,437.47

Note 22. Employee remuneration payable

1. Status

Item	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	122,389,603.47	573,249,889.40	581,435,441.84	114,204,051.03
Post-employment benefits - defined contribution plans	9,282,692.00	45,699,776.34	49,401,016.98	5,581,451.36
Termination benefits	4,915,643.91	3,561,468.21	8,177,803.91	299,308.21
Total	136,587,939.38	622,511,133.95	639,014,262.73	120,084,810.60

2. Short-term employee benefits

Item	Opening balance	Increase	Decrease	Closing balance
Salaries, bonus, allowances	121,169,046.53	514,306,267.70	522,193,272.18	113,282,042.05
Staff welfare	10,643.28	9,991,313.96	9,839,862.22	162,095.02
Social insurances	404,028.29	22,623,655.78	23,027,605.75	78.32
Including: 1. Medical insurance	404,028.29	20,961,272.11	21,365,300.40	
2. Supplementary medical insurance				
3. Work-related injury insurance		894,581.96	894,503.64	78.32
4. Maternity insurance		767,801.71	767,801.71	
Housing Fund	169,121.00	19,257,855.90	19,413,425.90	13,551.00
Labor union fees and education fee	636,764.37	7,070,796.06	6,961,275.79	746,284.64
Total	122,389,603.47	573,249,889.40	581,435,441.84	114,204,051.03

3. Defined contribution plans

Item	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	290,781.95	40,649,553.03	40,732,129.01	208,205.97
Unemployment insurance	581.68	1,203,467.38	1,203,669.18	379.88
Annuity	8,991,328.37	3,846,755.93	7,465,218.79	5,372,865.51
Total	9,282,692.00	45,699,776.34	49,401,016.98	5,581,451.36

Note 23. Taxes payable

Item	Closing balance	Opening balance
VAT	38,997,243.97	39,086,878.23
Corporate income tax	21,276,050.77	16,751,872.66
Individual income tax	1,101,633.76	1,070,872.15
Urban maintenance and construction tax	1,047,680.77	1,353,097.21
Educational surcharges	748,598.11	966,809.02
Others	1,016,953.93	1,540,639.03
Total	64,188,161.31	60,770,168.30

Note 24. Other payables

Item	Closing balance	Opening balance
Dividends payable	2,058,352.24	6,324,013.97
Other payables	119,879,448.83	158,736,108.61
Total	121,937,801.07	165,060,122.58

Note: Other payables in above table refers to other payables excluding interest payable and dividends payable.

1. Dividends payable

Item	Closing balance	Opening balance	Reasons for not being paid
Dividends for ordinary shares	2,058,352.24	6,324,013.97	unlock
Total	2,058,352.24	6,324,013.97	

2. Other payables

(1) Other payables by nature

Nature	Closing balance	Opening balance
Security deposit	34,075,198.63	38,319,837.05
Shop activity fund	17,335,559.49	16,105,216.84
Decoration expenses	10,214,019.04	12,827,532.03
Repurchase liability for restricted shares	14,304,862.81	50,759,806.16
Other	43,949,808.86	40,723,716.53
Total	119,879,448.83	158,736,108.61

(2) Material other receivables with aging over 1 year

Name	Closing balance	Reasons for not being paid
Company A	4,614,077.01	Undue

Name	Closing balance	Reasons for not being paid
Company B	2,032,676.76	Undue
Company C	2,020,950.20	Undue
Company D	1,807,296.80	Undue
Company E	1,442,275.27	Undue
Company F	1,060,132.00	Undue
Total	12,977,408.04	

Note 25. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due in one year	66,399,004.20	71,546,316.16
Total	66,399,004.20	71,546,316.16

Note 26. Other current liabilities

Item	Closing balance	Opening balance
Output VAT not yet realized	1,589,635.30	1,686,806.01
Total	1,589,635.30	1,686,806.01

Note 27. Lease liabilities

Item	Closing balance	Opening balance
Buildings and Structures	113,786,386.87	113,365,689.55
Less: unrecognised finance costs	3,861,030.15	176,811.81
Subtotal present value of lease receipts	109,925,356.72	113,188,877.74
Less: lease liabilities due in one year	66,399,004.20	71,546,316.16
Total	43,526,352.52	41,642,561.58

Interest expenses for lease liabilities recognized in current period was RMB4,583,361.68.

Note 28. Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Asset related government subsidy	1,295,926.80		343,141.11	952,785.69	
Revenue related government subsidy					
Total	1,295,926.80		343,141.11	952,785.69	

Deferred income related to government subsidy

The Company's government subsidy are detailed in Note VIII Government subsidy.1 for liability items involving government grants.

Note 29. Share capital

Item	Opening balance	Movements: increase(+), decrease(-)					Closing balance
		Newly issued	Bonus share	Capitalizati on of capital reserves	Others	Subtotal	
Total shares	417,627,960.00				-2,407,990.00	-2,407,990.00	415,219,970.00
Total	417,627,960.00				-2,407,990.00	-2,407,990.00	415,219,970.00

Notes to movements:

1. Pursuant to the "Proposal on the Repurchase and Cancellation of Certain Restricted Shares under the 2018 A-share Restricted Share Incentive Plan (Phase II)" considered and approved by the Board of Directors and the general meeting of the Company, 206,860 A-share restricted shares held by seven departing former incentive recipients, which had been granted but not yet released from restriction on sale, were repurchased and cancelled.

2. Pursuant to the "Proposal on the Failure to Achieve the Conditions for Release of Restricted Shares during the Second Release Period of the 2018 A-share Restricted Share Incentive Plan (Phase II) and the Repurchase and Cancellation of Certain Restricted Shares" considered and approved by the Board of Directors and the General Meeting of Shareholders of the Company, 2,201,130 restricted shares of A-shares held by 120 incentive recipients for whom the conditions for release of restricted shares have not been fulfilled are to be repurchased and cancelled.

Note 30. Capital reserve

Item	Item	Opening balance	Increase	Decrease
Share premium	969,665,728.36	12,799,265.10	14,207,807.55	968,257,185.91
Other capital reserve	37,420,915.12	3,184,288.69	18,703,356.55	21,901,847.26
Total	1,007,086,643.48	15,983,553.79	32,911,164.10	990,159,033.17

Notes to capital reserve:

1. Pursuant to the "Resolution on the fulfillment of the conditions for the release of restricted shares during the first release period of the 2018 A-share Restricted Stock Incentive Plan (Phase II)" and the "Resolution on the fulfillment of the conditions for the release of restricted shares during the third release period of the 2018 A-share Restricted Stock Incentive Plan (Phase I)" considered and approved by the Board of Directors and the General Meeting of Shareholders of the Company, in the year of 2023, RMB3,436,710,000 A-share restricted shares which met the conditions for release from restricted sale were released from restricted sale, and the capital surplus of RMB12,799,265.10 corresponding to the restricted shares of the above incentive recipients was transferred from "Other capital surplus" to "Share premium".

2. As described in Note V. 29, the Company repurchased restricted shares, and the equity premium was reduced by RMB14,195,451.00 accordingly.

3. Pursuant to the "Program on the Repurchase of Certain Domestically Listed Foreign Shares (B Shares)" considered and approved at the Eleventh Meeting of the Tenth Session of the Board of Directors and the General Meeting of Shareholders of the Company, in 2023, the transaction costs incurred by the Company for the repurchase of the Company's shares through the repurchase of the special securities account amounted to RMB12,356.55, which was offset against the equity premium of RMB12,356.55.

4. Pursuant to the Proposal on the Grant of Restricted Shares to the Incentive Recipients under the Company's 2018 A-Share Restricted Stock Incentive Plan (Phase II), which was considered and approved by the Board of Directors and the General Meeting of Shareholders of the Company. In 2023, the services obtained by the Company from the above incentive recipients were included in the relevant costs or expenses and increased the other capital surplus by RMB1,825,092.95 accordingly.

5. Pursuant to the "Proposal on the Failure to Achieve the Conditions for Release of Restricted Shares during the Second Release Period of the 2018 A-Share Restricted Stock Incentive Plan (Phase II) and the Repurchase and Cancellation of Certain Restricted Shares" considered and approved by the Board of Directors and the General Meeting of Shareholders of the Company, in the year 2023, 2,201,130 A-share restricted shares held by 120 incentive recipients for whom the conditions for release of restricted shares have not been reached were repurchased and cancelled. Eliminate the services of the above incentive recipients charged to the relevant costs or expenses and reduce the other capital surplus by RMB5,904,091.45 accordingly.

6. The amount of income tax effect of the difference between the amount deducted before income tax for the current year and the amount of related costs and expenses recognized during the waiting period resulting from the difference between the fair price at the time of unlocking of restricted shares and the grant price at the time of grant was adjusted to other capital surplus by RMB1,359,195.74 accordingly.

Note 31. Treasury shares

Item	Opening balance	Increase	Decrease	Closing balance
Share repurchase		64,340,669.42		64,340,669.42
Share based payment	50,759,806.16		36,454,943.35	14,304,862.81
Total	50,759,806.16	64,340,669.42	36,454,943.35	78,645,532.23

Notes to treasury shares:

1. In 2023, the Company repurchased an aggregate of 9,355,763 B shares of the Company through the Shenzhen Stock Exchange by way of centralized bidding, and paid a repurchase amount of HK70,401,771.17 (excluding transaction costs), equivalent to RMB64,340,669.42,

thus increasing "Reduction of registered capital repurchase" by RMB64,340,669.42.

2. As described in Note V. 29. 2, the Company repurchased and canceled the A-share restricted shares for which the conditions for release from restriction on sale had not been met, thereby reducing the "Restricted share-based payments" by RMB15,187,797.00.

3. As described in Note V. 29. 1, the Company repurchased and canceled the A-share restricted shares that had been granted but not yet released from restriction, thereby reducing "Restricted share-based payments" by RMB1,415,644.00; and reduced "Restricted share-based payments" by RMB588,620.00 in respect of the corresponding cash dividends.

4. As described in Note V. 30. 1, for those shares that meet the unlocking conditions for restricted shares and do not need to be repurchased, the corresponding repurchase obligations were derecognized, thus reducing "Restricted share-based payments" by RMB19,262,882.35.

Note 32. Other Comprehensive income

Item	Opening balance	Amount in current period								Closing balance
		Pre-tax amount	Less: recorded in OCI in prior period and transferred to profit or loss in current period	Less: recorded in OCI in prior period and transferred to financial assets at amortized cost	Less: reserve of hedging transferred to related assets or liabilities	Less: CI T	Attribute to parent company after tax	Attribute to non-controlling shareholders after tax	Less: movements of defined benefit plan	
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	5,739,589.89	13,585,746.04					13,585,746.04			19,325,335.93
Including: translation difference	5,739,589.89	13,585,746.04					13,585,746.04			19,325,335.93
Total	5,739,589.89	13,585,746.04					13,585,746.04			19,325,335.93

Note 33. Specific reserve

Item	Opening balance	Increase	Decrease	Closing balance
Safety production fee	2,012,064.91	1,537,825.22	326,732.07	3,223,158.06
Total	2,012,064.91	1,537,825.22	326,732.07	3,223,158.06

Note 34. Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	213,025,507.50			213,025,507.50
Discretionary surplus reserve	61,984,894.00			61,984,894.00
Total	275,010,401.50			275,010,401.50

Notes to surplus reserve:

Note: According to the Company Law and Articles of Association, the Company draws statutory surplus reserve at 10% of net profit. If the statutory surplus reserve is over 50% of the Company's registered capital, drawing of statutory surplus reserve will be stopped.

The Company can draw discretionary surplus reserve after drawing statutory surplus reserve. If approved, discretionary surplus reserve can be used to make up for losses in previous years or increase share capital.

Note 35. Undistributed profit

Item	Current period	Prior period
Undistributed profit at the end of prior year before adjustments	1,479,706,638.53	1,338,444,326.09
Adjustments to undistributed profit at the beginning of year ("+" for increase and "-" for decrease)		
Undistributed profit at the beginning of year after adjustment	1,479,706,638.53	1,338,444,326.09
Plus: Net profit attributable to the owner of the parent company for the year	333,178,102.37	266,681,451.84
Less: statutory surplus reserve drawn		
Dividends payable to ordinary shares	103,371,355.14	125,419,139.40
Undistributed profit at the end of year	1,709,513,385.76	1,479,706,638.53

Note 36. Operating income and operating cost

1. Operating income and operating cost

Item	Amount in current period		Amount in prior period	
	Revenue	Cost	Revenue	Cost
Main business	4,553,706,250.49	2,904,751,241.51	4,336,586,473.74	2,738,100,529.23
Other business	15,983,752.50	712,233.30	17,510,406.62	872,261.88

Item	Amount in current period		Amount in prior period	
	Total	4,569,690,002.99	2,905,463,474.81	4,354,096,880.36

2. Revenue generated by contract

Types of contract	Amount in current period	Amount in prior period
I. Types of goods		
Watch business	4,270,245,173.86	4,044,205,847.75
Precision manufacturing	133,103,042.03	163,114,009.23
Other business	15,916,680.92	17,510,406.62
II. Categorized based on timing of goods transfer		
At a point of time	4,410,670,831.14	4,212,548,175.21
During a period of time	8,594,065.67	12,282,088.39

Note: revenue generated by contract does not include lease income of RMB150,425,106.18 which is regulated under “CAS No.21 – Lease”.

Note 37. Tax and surcharges

Item	Amount in current period	Amount in prior period
Consumption tax	12,205,585.22	10,509,059.81
Urban maintenance and construction tax	5,188,370.21	4,483,205.18
Educational surcharge	3,452,657.63	2,988,250.62
Property tax	7,512,564.92	5,824,577.36
Stamp duty	3,040,109.98	3,814,124.17
Others	4,794,558.14	3,180,982.59
Total	36,193,846.10	30,800,199.73

Note 38. Selling and distribution expenses

Item	Amount in current period	Amount in prior period
Salary	364,493,305.57	390,723,066.47
Department store expense and rental	159,738,493.87	154,977,256.13
Market promotion expenses	146,787,677.11	114,559,488.13
Depreciation and amortization	187,456,893.25	210,324,656.21
Packaging expenses	10,367,129.63	8,210,424.75
Utilities and property management expenses	22,673,870.27	22,115,070.79
Shipping fees	5,921,929.02	5,928,120.89
Office expenses	6,285,406.47	5,617,713.76

Item	Amount in current period	Amount in prior period
Travel expenses	8,415,884.60	4,533,814.79
Entertainment expenses	4,581,476.42	3,081,324.66
Others	7,287,113.11	11,761,893.82
Total	924,009,179.32	931,832,830.40

Note 39. Administrative expenses

Item	Amount in current period	Amount in prior period
Salary	159,074,391.51	169,831,180.19
Depreciation and amortization	23,462,090.05	23,584,581.61
Travel expenses	4,773,457.90	1,651,207.39
Office expenses	3,174,249.82	3,967,189.58
Agents fees	1,917,258.68	1,764,355.96
Rental and utilities	1,359,636.27	941,300.03
Entertainment expenses	1,368,967.18	764,414.05
Vehicle and transportation expenses	1,884,805.22	1,528,304.66
Telecommunication expenses	368,370.99	825,712.63
Others	7,976,049.62	14,156,262.42
Total	205,359,277.24	219,014,508.52

Note 40. R&D expenses

Item	Amount in current period	Amount in prior period
Salary	43,658,293.35	47,534,889.46
Sample and material expenses	2,219,443.20	1,964,204.63
Molding expenses	2,263.43	853,056.11
Depreciation and amortization	4,300,190.56	4,852,325.18
Technical cooperation fee	2,758,347.16	217,203.80
Others	4,863,706.38	5,666,906.43
Total	57,802,244.08	61,088,585.61

Note 41. Financial expenses

Item	Amount in current period	Amount in prior period
Interest expenses	12,824,222.06	16,846,749.14
Less: Interest income	5,722,586.39	3,923,999.48
Exchange gain or losses	1,879,443.15	-3,053,760.78
Bank charges	12,488,693.95	11,319,753.23
Total	21,469,772.77	21,188,742.11

Note 42. Other income

1. Details

Sources of other income	Amount in current period	Amount in prior period
Government subsidy	9,105,016.49	18,648,210.06
Commission on IIT payment	494,598.35	
VAT plus credit	1,835,758.94	
Total	11,435,373.78	18,648,210.06

2. Government subsidy included in other income

The Company's government subsidy are detailed in Note VIII Government subsidy.2 for government subsidy recognized in profit or loss.

Note 43. Investment gain

Item	Amount in current period	Amount in prior period
Gain from long-term equity investments accounted for using equity method	-5,819,479.60	3,026,481.59
Total	-5,819,479.60	3,026,481.59

Note 44. Credit impairment loss

Item	Amount in current period	Amount in prior period
Bad debt loss	6,827,575.82	4,845,379.45
Total	6,827,575.82	4,845,379.45

Note 45. Asset impairment loss

Item	Amount in current period	Amount in prior period
Inventory decline in value	571,980.37	-37,625,482.96
Total	571,980.37	-37,625,482.96

Note 46. Gains from assets disposal

Item	Amount in current period	Amount in prior period
Gains (losses) from assets disposal	527,753.57	-203,932.45
Gains (losses) from right-of-use assets disposal	158,115.00	295,857.51
Total	685,868.57	91,925.06

Note 47. Non-operating income

Item	Amount in current period	Amount in prior period	Amount included in non-recurring gains or losses in current period
Payables cannot be paid	1,346,926.73	305,066.79	1,346,926.73
Compensation	2,215,389.10	860,904.01	2,215,389.10
Revenues from rights-based compensation	938,486.50		938,486.50

Others	269,704.47	121,231.28	269,704.47
Total	4,770,506.80	1,287,202.08	4,770,506.80

Note 48. Non-operating expense

Item	Amount in current period	Amount in prior period	Amount included in non-recurring gains or losses in current period
Donation	311,464.98	78,860.00	311,464.98
Fine and penalty for late payment	6,014.28	403,084.07	6,014.28
Payment for breach of agreement	37,725.30	1,412,548.66	37,725.30
Others	504,565.54	456,773.58	504,565.54
Total	859,770.10	2,351,266.31	859,770.10

Note 49. CIT expenses

1. Details

Item	Amount in current period	Amount in prior period
Current tax expense for the year based on tax law and regulations	88,559,245.72	86,356,685.06
Changes in deferred tax assets/liabilities	15,266,916.22	-13,916,465.05
Total	103,826,161.94	72,440,220.01

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

Item	Amount in current period
Profits before tax	437,004,264.31
Income tax calculated based on statutory tax rate	109,251,066.08
Effect of different tax rates applied by subsidiaries	-10,206,789.27
Adjustment to income tax of previous years	6,187,582.94
Effect of non-taxable income	1,454,869.90
Effect of non-deductible costs, expenses and losses	781,125.37
Effect of using the deductible temporary differences or deductible losses for which no deferred tax asset was recognized in prior period	-337,571.86
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized this year	
Effect of research and development expenses super deduction	-4,769,518.22
Others	1,465,397.00
Income tax expenses	103,826,161.94

Note 50. Notes to cash flow statement

1. Cash received from other operating activities

Item	Amount in current period	Amount in prior period
Security deposit	7,550,296.24	15,956,047.24

Item	Amount in current period	Amount in prior period
Government subsidy	8,796,670.12	18,151,302.96
Promotion expenses	12,561,700.18	12,201,925.26
Interest income	5,722,586.39	3,923,999.48
Return of petty cash	7,787,782.02	8,030,966.63
Others	25,760,176.26	21,392,611.71
Total	68,179,211.21	79,656,853.28

2. Cash paid for other operating activities

Item	Amount in current period	Amount in prior period
Security deposit	11,191,285.76	24,008,323.15
Petty cash advanced to employee	22,048,433.11	11,049,894.11
Current period expenses	293,728,229.26	288,360,173.00
Others	60,670,140.56	617,269.28
Total	387,638,088.69	324,035,659.54

3. Cash paid for other financing activities

Item	Amount in current period	Amount in prior period
Lease payment	114,908,744.94	124,087,402.37
Cash paid for re-purchase of shares	83,148,230.83	53,390,338.09
Total	198,056,975.77	177,477,740.46

Note 51. Supplement information to cash flow statement

1. Supplement to cash flow statement

Item	Amount in current period	Amount in prior period
1. Reconciliation of net profit/loss to cash flows from operating activities:		
Net profit	333,178,102.37	266,681,451.84
Add: Credit impairment loss	-6,827,575.82	-4,845,379.45
Impairment for assets	-571,980.37	37,625,482.96
Depreciation of fixed assets、oil and gas assets and productive biological assets	41,658,377.46	40,524,642.37
Depreciation of right-of-use assets	103,958,386.94	110,464,700.15
Intangible asset amortization	3,689,183.21	5,009,348.81
Amortization of long-term deferred expenses	91,039,489.52	110,435,014.09
Loss on disposal of fixed assets, intangible assets, and other long-term assets (“-“ for gain)	-685,868.57	-91,925.06
Loss on scrap of fixed assets (“-“ for gain)		
Loss on changes of fair value (“-“ for gain)		

Item	Amount in current period	Amount in prior period
Financial expenses (“-“ for income)	10,346,099.61	16,846,749.14
Investment loss (“-“ for gain)	5,819,479.60	-3,026,481.59
Decrease in deferred tax assets (“-“ for increase)	15,556,840.48	-14,551,337.29
Increase in deferred tax liabilities (“-“ for decrease)	-289,924.26	262,330.92
Decrease in inventories (“-“ for increase)	82,605,123.05	-92,627,165.17
Decrease in operating receivables (“-“ for increase)	34,507,754.85	121,164,749.65
Increase in operating payables (“-“ for decrease)	-77,781,831.49	-117,643,404.85
Others	-3,800,168.60	
Net cash flows from operating activities	632,401,487.98	476,228,776.52
2. Significant investment or financing activities not involving cash:		
Debts converted to capital		
Convertible debts mature within one year		
Added right-of-use assets in the current period		
3. Net changes in cash and cash equivalents:		
Cash at end of year	504,629,153.71	313,738,389.64
Less: cash at beginning of year	313,738,389.64	210,254,737.14
Plus: cash equivalents at end of year		
Less: cash equivalents at beginning of year		
Net increase in cash and cash equivalents	190,890,764.07	103,483,652.50

2. Total cash outflows related to lease

Total cash outflows related to lease amounted to RMB114,908,744.94. (Prior period : RMB124,087,402.37)

3. Cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	504,629,153.71	313,738,389.64
Incl. Cash on hand	178,996.87	173,368.68
Bank deposit available for immediate payment	503,187,176.88	312,433,893.29
Other monetary funds available for immediate payment	1,262,979.96	1,131,127.67
II. Cash equivalents		
Including Bond investment due in three months		
III. Cash and cash equivalents at the end of year	504,629,153.71	313,738,389.64
Including Restricted cash and cash equivalents for the	1,202,601.86	716,733.44

Item	Closing balance	Opening balance
Company and its subsidiaries		

4. Restricted use but still presented as cash and cash equivalents

Item	Amount for the period	rationale
Cash at bank	1,202,601.86	Funds in the accounts of the Company's subsidiary, FIYTA (Hong Kong) Ltd, and its grandson, Montres Chouriet SA, which are kept outside the country and are subject to restrictions on repatriation of funds, but do not affect their daily use.

Note 52. Monetary items denominated in foreign currency

1. Monetary items denominated in foreign currency

Item	Balance denominated in foreign currency as at 31 Dec 2023	Exchange rate	Balance translated in RMB as at 31 Dec 2023
Monetary fund			4,912,660.52
USD	197,793.98	7.0827	1,400,915.42
EUR	109,603.02	7.8592	861,392.06
HKD	1,594,744.82	0.9062	1,445,189.46
CHF	143,158.27	8.4184	1,205,163.58
Accounts receivable			7,180,426.44
USD	496,860.67	7.0827	3,519,115.06
HKD	3,737,843.78	0.9062	3,387,308.79
EUR	4,824.46	7.8592	37,916.39
CHF	28,044.07	8.4184	236,086.20
Other receivables			243,119.93
HKD	119,645.92	0.9062	108,425.53
CHF	16,000.00	8.4184	134,694.40
Accounts payable			8,936,497.51
HKD	552,191.52	0.9062	500,407.00
CHF	1,002,101.41	8.4184	8,436,090.51
Other payables			810,006.84
HKD	585,023.91	0.9062	530,160.37
CHF	33,242.24	8.4184	279,846.47

2. Overseas operational entity

For main business location and recording currency of important overseas operating entities, refer to Note III. 5.

Note 53. Tenancy

The Company as a lessor:

The Company's right-of-use assets, lease liabilities and total cash outflows related to leases are detailed in Note 12, Note 27 and Note 51. The Company, as a lessee, is recognized in profit or loss as follows:

Item	Amount in current period	Amount in prior period
Interest on lease liabilities	4,583,361.68	8,442,125.35
Short-term rental costs	784,401.29	407,454.71
Lease costs for low-value assets		
Variable lease payments not included in the measurement of the lease liability	85,741,239.56	85,618,040.29
Income from sublease of right-to-use assets		
Sale and leaseback transactions		

Additional information on the Company as lessee is set forth below:

1. Lease activities

All lease of the Company is property lease, including short-term lease and other leased that recognized right-of-use asset and lease liabilities.

2. Short-term lease

Short-term leases are treated using simplified method. Short-term leases include lease term that is shorter than 12 month and no renew options attached, and leases that will be matured in 12 month after first adoption of CAS 21 – Lease. Short-term lease expenses charged to profit or loss was RMB 784,401.29.

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

(1) Variable lease payment

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

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

In 2023, the variable lease payment included in the current profit and loss is RMB 85,741,239.56.

(2) Option to renew

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

(1) Option to discontinue lease

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

(2) Residual value guarantee

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

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

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

Disclosure as a lessor:

1. Information relating to operating leases

Gains related to operating leases are shown below:

Item	Rental income	Including: not recognized in lease receipts Income relating to variable lease payments
Property	150,425,106.18	
Total	150,425,106.18	

2. Risk management strategy of retaining rights over lease assets

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

VI. Research and development expenditures

1. Presentation by nature of costs

Item	Amount in current period	Amount in prior period
Salary	43,658,293.35	47,534,889.46
Sample and material expenses	2,219,443.20	1,964,204.63
Molding expenses	2,263.43	853,056.11
Depreciation and amortization	4,300,190.56	4,852,325.18
Technical cooperation fee	2,758,347.16	217,203.80
Others	4,863,706.38	5,666,906.43
Total	57,802,244.08	61,088,585.61

2. Development expenditure on R&D projects eligible for capitalization

Nil.

VII. Interests in other entities

1. Equity in subsidiary

(1) Composition of enterprise group

Name	Place of operation	Place of registration	Nature of business	Shareholding ratio (%)		Ways acquired
				Direct	Indirect	
Shenzhen Harmony World Watch Center Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
FIYTA Sales Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
Shenzhen FIYTA Precision Technology Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	99.00	1.00	incorporated or investment
Shenzhen FIYTA Technology Development Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	100.00		incorporated or investment
Harmony World Watch Center (Hainan) Co., Ltd.	Sanya	Sanya	Commerce	100.00		incorporated or investment
Shenzhen Xunhang Precision Technology Co., Ltd.	Shenzhen	Shenzhen	Manufacturing	100.00		incorporated or investment
Emile Choureit Timing (Shenzhen) Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
Liaoning Hengdarui Commercial & Trade Co., Ltd.	Shenyang	Shenyang	Commerce	100.00		Business combination under common control
TEMPORAL (Shenzhen) Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
Shenzhen Harmony E-commerce Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00		incorporated or investment
FIYTA (Hong Kong) Ltd.	Hong Kong	Hong Kong	Commerce	100.00		incorporated or investment
Montres Chouriet SA	Swiss	Swiss	Manufacturing		100.00	Business combination not under common control

2. Equity in joint arrangement or associates

(1) Significant associates

Name	Place of operation	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment
				Direct	Indirect	
Shanghai Watch Co., Ltd.	Shanghai	Shanghai	Commercial	25%		Equity method

(2) Principal financial information of significant associate company

Item	Closing balance/Amount in current period	Opening balance/Amount in prior period
Current assets	165,796,119.65	175,890,077.66
Non-current assets	16,753,785.07	21,637,323.67
Total assets	182,549,904.72	197,527,401.33
Current liabilities	60,781,571.60	44,595,566.75
Non-current liabilities		5,885,583.05
Total liabilities	60,781,571.60	50,481,149.80
Non-controlling interest		
Equity attributable to parent company	121,768,333.12	147,046,251.53
Portion of net asset calculated based on shareholding	30,442,083.28	36,761,562.88
Adjustment matters	21,420,524.02	21,420,524.02
- Goodwill	21,420,524.02	21,420,524.02
- Unrealized profit or losses from internal transaction		
- Others		
Carrying value of investment to associates	51,862,607.30	58,182,086.90
Fair value of equity investment that has public quotation		
Operating income	110,947,629.04	141,379,376.32
Net profit	-23,277,918.41	12,105,926.36
Net profit from discontinued operation		
Other comprehensive income		
Total comprehensive income	-23,277,918.41	12,105,926.36
Dividends received from associated company during the year	500,000.00	

VIII. Government subsidy

1. Liability items involving government grants

Item	Opening balance	Addition	Include in non-operating income in current period	Include in other gains in current period	Offsetting expense or cost	Closing balance	Related to asset /income
Special fund for Shenzhen industrial design industry development	314,539.36			4,882.52		309,656.84	Asset related
Funding project for construction of National Enterprise Technology Center	338,833.33			293,147.06		45,686.27	Asset related

Provincial Specialized Fund for Industrial and Information	642,554.11		45,111.53		597,442.58	Asset related
Total	1,295,926.80		343,141.11		952,785.69	

2. Government subsidy recognized in profit or loss

Item	Amount in current period	Amount in prior period	Asset or income related
Subsidy to promote consumption		7,920,500.00	Income related
Trade and Distribution Industry Funding Projects		2,579,700.00	Income related
Quality and Branding Promotion Multiplication Subsidy		1,180,000.00	Income related
Relief Policy Subsidy		1,058,150.00	Income related
Shenzhen Special Fund for Technology Research	1,000,000.00	1,000,000.00	Income related
Training subsidy	4,900.00	953,220.00	Income related
Subsidy for stabilizing job position	824,116.60	819,833.38	Income related
Subsidy to Foster High and New Technology Enterprise	220,000.00	700,000.00	Income related
Commission on IIT payment		730,811.84	Income related
Other subsidies	104,887.83	624,893.74	Income related
Shenzhen Standard Special Fund	660,468.00	550,694.00	Income related
Shenzhen E-commerce Innovation and Development Support Program Subsidy		330,000.00	Income related
Professional, Specialize, Unique and New" SME Development Subsidy		200,000.00	Income related
State certified R&D center	293,147.06	293,147.06	Asset related
Provincial industry and information special subsidy	45,111.53	128,176.25	Asset related
Special fund for Shenzhen industrial designing	4,882.52	75,583.79	Asset related
2019 Headquarters Economic Contribution Award		-496,500.00	Income related
2022 Second Half of Nanshan District Industry and Information Technology Bureau Business Stable Growth Special Funding Project Grant	1,251,400.00		Income related
Industrial Insurance Fund	17,566.00		Income related
2023 Technology Innovation Project Support Program and Manufacturing Individual Champion Incentive	1,000,000.00		Income related
Subsidy to assist high quality development of fashion industry	900,188.00		Income related
Special Funds for Civil-Military Integration and Funds for the Fifth Project Grant Scheme	200,000.00		Income related
Specialized Economic Development Funding Grants	100,000.00		Income related
High-tech Enterprise Recognition Reward Subsidy	100,000.00		Income related

Subsidies for Production Expansion and Efficiency Incentives in the Third Quarter of Bureau of Industry and Information Technology	70,000.00		Income related
Epidemic subsidies	12,000.00		Income related
Employment subsidies	5,382.00		Income related
Incentive subsidy for employers of persons with disabilities	14,920.77		Income related
Specialized funding in the field of Shenzhen standards	130,468.00		Income related
Ventilator and key components research and application project	868,178.18		Income related
VAT relief for key groups	179,400.00		Income related
Funding for technological improvements	350,000.00		Income related
Key projects for technology development	250,000.00		Income related
Ministry of Industry and Information Technology-Joint security projects	300,000.00		Income related
Incentive payments from the Bureau of Science, Technology and Industry to encourage the standardization and upgrading of micro and small enterprises to above-scale enterprises	200,000.00		Income related
Government subsidies for 《E-Commerce Masters》	-2,000.00		Income related
Total	9,105,016.49	18,648,210.06	

3. Subsidy returned

Item	Type	Amount in current period	Amount in prior period	Reasons for return
Refund of government subsidies for 《E-Commerce Masters》	Income related	2,000.00		Not qualified
Total		2,000.00		

IX.Risk disclosure related to financial instrument

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

The board of directors is responsible for planning and establishing the risk management structure for the Company, developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyse risks exposed by the Company. These

risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk management. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. Risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the board of directors. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

1. Credit risk

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

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

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

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

credit risk amount of any single financial institution.

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

As at 31 December 2023, the carrying amount of related assets and corresponding ECL is as follows:

Aging	Carrying amount	Provision
Bill receivable	18,685,052.55	416,080.18
Accounts receivable	357,533,748.10	34,390,986.46
Other receivable	62,073,902.09	4,348,110.09
Total	438,292,702.74	39,155,176.73

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

As at 31 December 2023, the balance of top 5 receivable accounts accounted for 21.42% of total accounts receivables (2022: 32.76%).

2. Liquidity risk

Liquidity risk refers to the risk of short of funds when the company performs its obligation of cash payment or settlement by other financial assets. The Company's subordinate member companies are responsible for their respective cash flow projections. Based on the results thereof, the subordinate financial management department continually monitors its short-term and long-term capital needs at the company level to ensure adequate cash reserves; in the meantime, continually monitors the compliance with loan agreements and secures undertakings for sufficient reserve funds from major financial institutions, to address its short-term and long-term capital needs. Besides, the Company mainly signs financing agreements with banks that have business transactions to provide support to fulfill commercial bill obligation. As at 31 December 2023, the Company has financing facilities from several banks amounting to RMB2,375.95 million. Amongst, RMB375.95 million has already been used.

As at 31 December 2023, the discounted contractual cash flows for financial liabilities and off-balance sheet guarantee that presented in maturity are as follows:

Item	Closing balance in ten thousands yuan				Total
	Within 1 year	1 - 2 years	2 - 3 years	Over 3 years	

Item	Closing balance in ten thousands yuan				Total
	Within 1 year	1 - 2 years	2 - 3 years	Over 3 years	
Short term loan	25,018.78				
Bills payable					
Accounts payable	17,382.59				
Other payables	12,193.78				
Total	54,595.15				

3. Market risk

(1) Exchange rate risk

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

As at 31 December 2023, the RMB equivalent of financial assets and financial liabilities denominated in foreign currencies are as follows:

Item	Closing balance				Total
	HKD	USD	EUR	CHF	
Financial asset denominated in foreign currency:	0.9062	7.0827	7.8592	8.4184	
Monetary fund	1,445,189.46	1,400,915.42	861,392.06	1,205,163.58	4,912,660.52
Accounts receivable	3,387,308.79	3,519,115.06	37,916.39	236,086.20	7,180,426.44
Other receivables	108,425.53			134,694.40	243,119.93
Subtotal	4,940,923.78	4,920,030.48	899,308.45	1,575,944.18	12,336,206.89
Financial liabilities denominated in foreign currency:					
Accounts payables	500,407.00			8,436,090.51	8,936,497.51
Other payables	530,160.37			279,846.47	810,006.84
Total	1,030,567.37			8,715,936.98	9,746,504.35

Sensitivity analysis

As at 31 December 2023, for financial assets and financial liabilities that denominated in foreign currency, if Renminbi appreciate or depreciate of 5% to foreign currency and other factors remain

unchanged, the net profit will decrease or increase about RMB0.130 million(31 Dec 2022:RMB1.419 million) .

(2) Interest rate risk

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

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

Sensitivity analysis:

As at 31 December 2023, it is estimated that a general increase or decrease 50 basis points in the borrowings with floating interest rates, with all other variables held constant, the Company's net profit and shareholder's equity for the year will decrease or increase by approximately RMB307,300.00 (2022: RMB1,200,000.00) .

The above sensitivity analysis assumes that interest rate changed on the balance sheet date and applicable to all loans with floating interest rate terms.

X.Fair value

1. Financial instruments measured at fair value

As at 31 December 2023, the Company does not have financial instruments measured at fair value.

2. Status of financial assets and financial liabilities not measured at fair value

Financial assets and financial liabilities not measured at fair value include: accounts receivable, short-term loans, accounts payable, long-term loans due within one year, and equity instrument investment that does not have public quotation in an active market and its fair value cannot be measured reliably.

The difference between fair value and carrying amount of the above financial assets and liabilities that not measured at fair value is insignificant.

XI.Related party and related transaction

1. The parent company of the Company

Name	Registration place	Type of business	Registered capital (in ten thousand RMB)	Shareholding ratio of parent company to the Company %	Ratio of vote right of parent company to the Company%
CATIC Shenzhen	Shenzhen	Commercial	116,616.20	39.25	39.25

(4) Notes to the parent company

CATIC Shenzhen is a subsidiary that 100.00% held, indirectly, by AVIC International, and AVIC directly holds 100.00% of the equity of AVIC International.

(5) The ultimate controlling party of the Company is AVIC.

2. Refer to Note VI. 1 for information about the Company's subsidiaries

3. Refer to Note VI. 2 for information about the Company's material associates

4. Other related parties

Name of other related parties	Relationship
Shenzhen CATIC Property Management Limited (CATIC Property Management)	Associate company of the controlling shareholder
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 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
Shenzhen Grand Skylight Hotel Management Co., Ltd (Grand Skylight Hotel Management Company)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC Securities Company)	Controlled by the same party
AVIC Training Center	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance Company)	Controlled by the same party
Gongqingcheng CATIC Culture Investment Co., Ltd (Gongqingcheng CATIC Culture Investment Company)	Controlled by the same party
Avic Jonhon Optronic Technology Co., Ltd.(AVIC Jonhon)	Controlled by the same party
AVIC International Holdings (Zhuhai) Co., Ltd. (AVIC Zhuhai)	Controlled by the same party
Guizhou HUAYANG Electronics Co., Ltd.	Controlled by the same party
Zhuhai Pilot Composite Material Technology Co., Ltd.	Controlled by the same party
Guangdong International Mansion Industrial Co., Ltd. (Guangdong International Mansion)	Controlled by the same party
Shenzhen Zhonghang Technology Checking & Measuring Institute (Shenzhen ZHTCMI)	Controlled by the same party
Shenyang Xinghua Aviation Electric Co., Ltd. (Shenyang Xinghua)	Controlled by the same party
Shenzhen AVIC Changtai Investment Development Co., Ltd. (Avic Changtai)	Controlled by the same party
AVIC China Aviation Futures Co., Ltd. (AVIC Futures)	Controlled by the same party
Anhui AVIC Display Technology Co., Ltd (Anhui AVIC)	Controlled by the same party
Shenzhen Lingzhi Digital Technology Co., Ltd. (Shenzhen Lingzhi Digital)	Controlled by the same party

Name of other related parties	Relationship
Technology)	
Shenzhen Aero-Fasteners MFG Co., Ltd. (Shenzhen Aero-Fasteners)	Controlled by the same party
Castic-SMP Machinery Corp., Ltd. (Castic-SMP Machinery)	Controlled by the same party
Company directors, managers, CFO, and secretary of the board	Key management member

5. Related party transactions

(1) Related transaction between subsidiaries and between parent company and subsidiaries which are in the scope of consolidation have already been offset.

(2) Purchase good and receiving service

Related parties	Related transaction content	Amount in current period	Amount in prior period
CATIC Property Management	Property management	11,593,446.00	11,834,156.05
Rainbow Company	Department store expenses/ Commodity purchase	13,276,756.38	4,184,883.88
AVIC Jonhon	Purchase of goods	242,771.36	238,755.07
Gongqingcheng CATIC Culture Investment Company	Departmental store expense	28,667.09	25,733.73
Grand Skylight Hotel Management Company	Purchase of goods		3,855.65
Guangdong International Mansion	Property management		18,157.71
Shenzhen ZHTCM	Accept labour		6,590.00
AVIC Xi'an Flight Automatic Control Research Institute(AVIC Xi'an Flight Institute)	Accept labour		179,245.28
Total		25,141,640.83	16,491,377.37

Notes: All amount listed above exclude tax

(3) Sale of goods and providing services

Related party	Nature of transaction	Amount in current period	Amount in prior period
Gongqingcheng CATIC Culture Investment Company	Sale of product	293,786.47	310,404.70
Shennan Circuit	Sale of material and providing service	460.80	335,070.20
AVIC Training Center	Others	2,725.66	2,453.10
Rainbow Company	Product and service	58,044,173.59	53,197,052.19
AVIC International	Sale of product	7,710.59	
AVIC Jonhon	Sale of product	500,559.59	1,252,054.56
AVIC Zhuhai	Sale of product		8,800.00
CATIC Property Management	Share of Utilities and management fee	3,363,663.82	3,298,502.35
Guizhou HUAYANG Electronics	Sale of product	18,814.16	87,263.71

Co., Ltd.			
AVIC Huadong PHOTOELECTRIC	Sale of product		21,238.94
Zhuhai Pilot Composite Material Technology Co., Ltd.	Sale of product	865,256.63	1,805,929.20
Shenzhen Aero-Fasteners	Sale of product	227,747.79	
Castic-SMP Machinery	Sale of product	3,960.18	
Shenyang Xinghua	Sale of product	464,331.51	
Anhui AVIC	Sale of product	75,504.42	
Total		63,868,695.21	60,318,768.95

Notes: All amount listed above exclude tax

(4) Related party lease

1) The Company as lessor

Lessee	Type of leased assets	Recognized rental income in current year	Recognized rental income in prior year
CATIC Property Management	Property	1,811,657.16	4,947,314.30
AVIC Securities Company	Property	1,411,885.68	1,411,885.68
Rainbow Company	Property	606,792.94	437,897.82
Total		3,830,335.78	6,797,097.80

2) The Company as lessee

Lessor	Type	Variable lease payments that are not included in lease liabilities		Rental payment		Interest payment of lease liabilities		Addition of right-of-use asset	
		Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
Guangdong International Mansion Industrial Co., Ltd.	Property				40,527.84		3,572.58		51,030.81
CATIC Property Management	Property	59,899.04	60,513.53	501,788.87	811,476.76	6,776.94	29,337.67	489,781.90	138,708.90
Rainbow Company	Property			323,382.81	417,268.91	9,642.03	14,378.80		247,505.55
Total		59,899.04	60,513.53	825,171.68	1,269,273.51	16,418.97	47,289.05	489,781.90	437,245.26

(5) Related party fund lending and borrowing

Nil.

(6) Remuneration to key management

Item	Amount in current period	Amount in prior period
Remuneration to key management	14,232,500.00	15,148,600.00
Total	14,232,500.00	15,148,600.00

(7) Other related transactions

The year-end balance of the Company's cash that is deposited with AVIC Finance Company is RMB467,743,798.76. Interests received from the deposit during the year were RMB342,896.12.

(8) Receivables from and payables to related parties

1) Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Monetary fund					
	AVIC Finance Company	467,743,798.76		271,327,031.83	
Accounts receivable					
	Gongqingcheng CATIC Culture Investment Company	22,684.75	832.29	27,297.28	1,364.88
	Shennan Circuit			7,255.14	544.14
	Rainbow Company	5,973,322.25	248,095.43	3,808,470.31	219,873.20
	AVIC Jonhon	202,712.86	12,162.77	649,797.16	48,734.79
	CATIC Property Management	183,123.05	9,156.15	101,672.00	5,083.60
	Guizhou HUAYANG Electronics Co., Ltd.	21,260.00	1,275.60	59,528.00	4,464.60
	Zhuhai Pilot Composite Material Technology Co., Ltd.			1,412,045.00	105,903.38
	AVIC Training Center			2,772.00	207.90
	Shenyang Xinghua	292,370.58	17,542.23		
	Anhui AVIC	15,800.00	790.00		
Bill receivable					
	AVIC Jonhon			262,429.22	
	Zhuhai Pilot Composite Material Technology Co., Ltd.	892,185.99	44,609.30		
	Anhui AVIC	192,339.42			
Other receivables					
	Gongqingcheng CATIC Culture Investment Company	6,500.00	325.00	6,500.00	325.00
	Rainbow Company	143,990.00	7,199.50	123,000.00	5,300.00
	AVIC	834,903.00	43,170.15	1,055,557.43	52,777.87

2) Payables to related parties

Item	Related party	Closing balance	Opening balance
Accounts payable			
	CATIC Property Management	32,992.35	32,992.35
	AVIC Jonhon	391.96	19,411.27
Other payables:			
	Rainbow Company	1,935,611.93	108,186.52
	CATIC Property Management	1,023,487.21	2,590,116.05
	AVIC Securities Company	247,080.00	247,080.00
	Avic Changtai	4,064.81	
Advance received			
	Rainbow Company		162,324.03
	AVIC Securities Company	123,540.00	
	AVIC Futures	9,435.48	

XII.Share-based payments

1.General information about share-based payments

(1) Equity instrument

Category of grant recipients	Granted during current period		Exercised during current period		Unlocked in current period		Voided in current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Some of the company's directors, supervisors and core cadres					3,436,710.00	3,436,710.00		
合计					3,436,710.00	3,436,710.00		

(2) Stock options or other equity instruments issued and outstanding at the end of the period

Nil.

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	27,909,283.55
Total expenses for equity settled share-based payment recognized in current period	-4,078,998.50

3. Expenses for share-based payment recognized in current period

Category of grant recipients	Expenses for equity settled share-based payment	Expenses for cash settled share-based payment
Some of the company's directors, supervisors and core cadres	-4,078,998.50	

XIII. Commitment and contingencies

1. Significant commitments

(1) Lease contract that already signed or prepared to fulfil and its financial effect

Refer to Note V.53 for details.

2. Contingencies on balance sheet date

The Company does not have material contingent events that need to be disclosed

XIV. Post balance sheet date events

1. Profit distribution

Profit distributions or dividends proposed	Cash dividend of RMB4.00 (tax inclusive) for every 10 shares held
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2. Other events after the balance sheet date

(1) Financing and guarantee after the balance sheet date

1) On 12 March 2024, pursuant to approval by the 18th meeting of the 10th Board of directors, the Company proposed to apply for financing facility of no more than RMB1,200 million by means of credit, pledge and mortgage in 2024. The resolution is pending for approval by the shareholder's meeting.

2) On 12 March 2024, pursuant to approval by the 18th meeting of the 10th Board of directors, the Company proposed to provide guarantee for the Company's wholly-owned subsidiary to borrow from banks of no more than RMB600 million in 2024. 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.

(2) Others

As at 14 March 2024, the Company does not have other post-balance sheet events that need to be disclosed.

XV. Other material information

1. Segments

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

- (1) Its business activities are engaged to earn revenue and incur expenses;
- (2) Its operating results are regularly reviewed by the Company's management to make decisions on resources allocation and performance assessment;
- (3) Its financial conditions, operating results, cash flow and related accounting information are available to the Company.

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

- (1) The segment income of the operating segment accounts for 10.00% or more of total income of all segments;
- (2) The absolute amount of profits (losses) of the segment account for 10.00% or more of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment.

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

2. Other material events

As at 31 December 2023, the Company does not have other significant matters that require to disclose.

XVI. Notes to the parent company's financial statement

Note 1. Accounts receivables

1. Presented by aging

Aging	Closing balance	Opening balance
Within 1 year	1,875,782.07	635,132.16
Over 1 year	23,346.03	
Subtotal	1,899,128.10	635,132.16

Aging	Closing balance	Opening balance
Less: bad debt provision	76,211.49	31,916.13
Total	1,822,916.61	603,216.03

2. Presentation by method of providing bad debt

Category	Closing balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable that provided expected credit losses on portfolio basis`	1,899,128.10	100.00	76,211.49	4.01	1,822,916.61
Including: Receivable from other customers	1,898,159.02	99.95	76,211.49	4.02	1,821,947.53
Including: Related party in scope of consolidation	969.08	0.05			969.08
Total	1,899,128.10	100.00	76,211.49		1,822,916.61

Continued

Category	Opening balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Accounts receivable that provided expected credit losses on single basis					
Accounts receivable that provided expected credit losses on portfolio basis`	635,132.16	100.00	31,916.13	5.03	603,216.03
Including: Receivable from other customers	635,132.16	100.00	31,916.13	5.03	603,216.03
Including: Related party in scope of consolidation					
Total	635,132.16	100.00	31,916.13		603,216.03

3. In the portfolio, accounts receivable with expected credit loss provided based on credit risk characteristic portfolio

(1) Portfolio of receivable from other customer

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	1,874,812.99	73,876.89	3.94
1 - 2 years	23,346.03	2,334.60	10.00
Total	1,898,159.02	76,211.49	4.02

4. Movements of provision during the period

Category	Opening balance	Movements during the period	Closing balance
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		Accrual	Recovered or reversed	Written-off	Other movements	
Accounts receivable that provided expected credit losses on single basis		85,000.00		85,000.00		
Accounts receivable that provided expected credit losses on portfolio basis`	31,916.13	44,295.36				76,211.49
Including: Receivable from other customers	31,916.13	44,295.36				76,211.49
Total	31,916.13	129,295.36		85,000.00		76,211.49

5. No actual write-off of accounts receivable during the current period.

6. Top 5 receivable accounts

Name	Closing balance	Proportion in total closing balance of accounts receivable (%)	Bad debt provision
Top 5 receivables accounts in total	1,301,233.17	68.52	66,197.12
Total	1,301,233.17	68.52	66,197.12

Note 2. Other receivables

1. Presentation of other receivables by aging

Aging	Closing balance	Opening balance
Within 1 year	614,472,373.93	839,808,164.17
1 - 2 years	81,857,231.39	
2- 3 years		
Over 3 years	40,050.00	40,050.00
Subtotal	696,369,655.32	839,848,214.17
Less: bad debt provision	41,235.47	65,671.10
Total	696,328,419.85	839,782,543.07

2. Presented by nature

Nature	Closing balance	Opening balance
Related party in scope of consolidation	696,041,965.52	839,174,096.87
Security deposit	49,581.90	537,615.90
Petty cash		24,542.88
Others	278,107.90	111,958.52

Nature	Closing balance	Opening balance
Total	696,369,655.32	839,848,214.17
Less: bad debt provision	41,235.47	65,671.10
Total	696,328,419.85	839,782,543.07

3. Presented according to three stages of financial assets impairment

Item	Closing balance			Opening balance		
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value
First stage	696,369,655.32	41,235.47	696,328,419.85	839,848,214.17	65,671.10	839,782,543.07
Second stage						
Third stage						
Total	696,369,655.32	41,235.47	696,328,419.85	839,848,214.17	65,671.10	839,782,543.07

4. Presented by bad debt provision method

Category	Closing balance				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis					
Other receivables that provided expected credit losses on portfolio basis	696,369,655.32	100.00	41,235.47	0.01	696,328,419.85
Including: Security deposit portfolio	49,581.90	0.01	40,526.60	81.74	9,055.30
Petty cash portfolio					
Social security payment on-behalf portfolio	263,930.39	0.04			263,930.39
Receivables from related parties within scope of consolidation	696,041,965.52	99.95			696,041,965.52
Portfolio of others	14,177.51		708.87	5.00	13,468.64
Total	696,369,655.32	100.00	41,235.47		696,328,419.85

Continued

Category	Opening balance				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	ECL rate (%)	
Other receivables that provided expected credit losses on single basis					
Other receivables that provided expected credit losses on portfolio basis	839,848,214.17	100.00	65,671.10	0.01	839,782,543.07
Including: Security deposit portfolio	537,615.90	0.06	64,928.30	12.08	472,687.60
Petty cash portfolio	24,542.88	0.01			24,542.88
Social security payment on-behalf portfolio	97,102.57	0.01			97,102.57

Category	Opening balance				Book value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	ECL rate (%)	
Receivables from related parties within scope of consolidation	839,174,096.87	99.92			839,174,096.87
Portfolio of others	14,855.95	0.00	742.80	5.00	14,113.15
Total	839,848,214.17	100.00	65,671.10	0.01	839,782,543.07

5. In the portfolio, other receivables with expected credit loss provided based on credit risk characteristic portfolio

(1) Security deposit portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year			
1 - 2 years	9,531.90	476.60	5.00
2- 3 years			
Over 3 years	40,050.00	40,050.00	100.00
Total	49,581.90	40,526.60	

(2) Social security payment on-behalf portfolio

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	263,930.39		
Total	263,930.39		

(3) Receivables from related parties within scope of consolidation

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	696,041,965.52		
Total	696,041,965.52		

(4) Portfolio of others

Aging	Closing balance		
	Carrying amount	Bad debt provision	ECL rate (%)
Within 1 year	14,177.51	708.87	5.00
Total	14,177.51	708.87	5.00

6. Bad debt provision status

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses (no credit impairment occurred)	Lifetime expected credit losses (credit impairment occurred)	
Opening balance	65,671.10			65,671.10
Opening balance movements in current period				
—Transfer into the second stage				
—Transfer into the third stage				
—Reverse back to the second stage				
—Reverse back to the first stage				
Accrual during the period				
Reversed during the period	-24,435.63			-24,435.63
Recovered during the period				
Written-off during the period				
Other movements				
Closing balance	41,235.47			41,235.47

7. No other receivables were written-off during the period.

8. Top 5 other receivable accounts

Name	Closing balance	Proportion to closing balance of other receivables (%)	Bad debt provision Closing balance
Top 5 other receivables in total	696,041,965.52	99.95	
Total	696,041,965.52	99.95	

Note 3. Long-term equity investment

Nature	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Investment in subsidiaries	1,581,179,108.81		1,581,179,108.81	1,494,128,399.60		1,494,128,399.60
Investment in associates	51,862,607.30		51,862,607.30	58,182,086.90		58,182,086.90
Total	1,633,041,716.11		1,633,041,716.11	1,552,310,486.50		1,552,310,486.50

1. Investment in subsidiaries

Investee	Opening balance	Addition/new investment	Withdrawn	Closing balance	Provision accrued in current period	Closing balance of provision
Shenzhen Harmony World Watch Center Co.,	610,354,397.34		1,058,906.51	609,295,490.83		
Shenzhen Harmony E-commerce Co., Ltd.	11,684,484.39			11,684,484.39		
Shenzhen FIYTA Precision Technology Co., Ltd.	102,482,069.76	80,000,000.00	437,608.56	182,044,461.20		
Shenzhen FIYTA Technology Development Co., Ltd.	51,224,974.98		162,083.31	51,062,891.67		
FIYTA (Hong Kong) Ltd.	137,737,520.00			137,737,520.00		
TEMPORAL (Shenzhen) Co., Ltd.	5,000,000.00			5,000,000.00		
FIYTA Sales Co., Ltd.	458,083,251.89		1,090,795.72	456,992,456.17		
Liaoning Hengdarui Commercial & Trade Co., Ltd.	36,867,843.96			36,867,843.96		
Emile Choureit Timing (Shenzhen) Ltd.	80,693,857.28		199,896.69	80,493,960.59		
HARMONY World Watch Center(Hainan) Co., Ltd.		10,000,000.00		10,000,000.00		
Total	1,494,128,399.60	90,000,000.00	2,949,290.79	1,581,179,108.81		

2. Investment in associates

Investee	Opening balance	Movements in current period			
		Addition/new investment	Withdrawn	Investment gain recognized under equity method	Adjustment to OCI
Associates					
Shanghai Watch	58,182,086.90			-5,819,479.60	

Continued

Investee	Movements in current period				Closing balance	Closing balance of provision
	Other equity movements	Cash dividends declared or distribution of profit	Impairment provision accrual	Others		
Associates						
Shanghai Watch		-500,000.00			51,862,607.30	

Note 4. Operating income and operating cost

Item	Amount in current period		Amount in prior period	
	Revenue	Cost	Revenue	Cost
Main business	177,350,230.18	49,729,440.87	148,557,095.50	41,765,441.70
Other business	3,524,696.56		6,727,705.55	

Item	Amount in current period		Amount in prior period	
Total	180,874,926.74	49,729,440.87	155,284,801.05	41,765,441.70

Note 5. Investment gain

Item	Amount in current period	Amount in prior period
Gain from long-term equity investments accounted for using equity method	-5,819,479.60	3,026,481.59
Gain from long-term equity investments accounted for using cost method	198,000,000.00	240,595,696.70
Total	192,180,520.40	243,622,178.29

XVII. Supplementary information

1. Details of non-recurring gain or loss for the year

Item	Amount	Note
Disposal gain or loss of non-current assets, including elimination of provision for impairment of assets	685,868.57	
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)	8,665,506.85	
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		
Charges for the possessions of funds collected from non-monetary enterprises		
Profit and loss from entrusting others to invest or manage assets		
Asset impairment provision accrued due to force majeure such as natural disasters		
Impairment provision reversal of accounts receivable under standalone impairment test	7,570,975.54	
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		
Current net profit and loss of subsidiaries from business combination under common control from the opening period to combination date		
Profit and loss of non-monetary assets exchange		
Profit and loss of debt restructuring		
Enterprise restructuring expenses, such as expenses for arranging employees, integrating cost		
One-time effect on current period's profit or loss due to adjustments in tax, accounting and other laws and regulations		
Overridden approval, or without official approval document, or incidental tax return or exemption		
For cash-settled share-based payments, gains and losses arising from changes in the fair value of employee compensation payable after the date of exercise of options		
Profit and loss incurred in fair value change of investment property subsequently measured in fair value mode		
Profit and loss over fair value part accrued in transactions of unreasonable transaction price		
Profit and loss incurred contingent matters unrelated to normal operating business		
Income from trustee fee obtained by trusting operation		

Item	Amount	Note
Other non-operating income and expenses other than the above items	3,910,736.70	
Profit and loss items pursuant to the definition of non-recurring profit and loss		
Less: Effect of income tax of non-recurring profit or loss	4,461,193.42	
Effect of non-recurring profit or losses attributable to minority shareholders (after tax)		
Total	16,371,894.24	

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	10.28	0.8082	0.8075
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	9.77	0.7685	0.7678

FIYTA Precision Technology Co., Ltd.
Board of Directors
14 March 2024