

# Auditor's Report

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**FIYTA Precision Technology Co., Ltd.**

**RSMSZ[2026]NO.350Z0003**

**RSM CHINA CPA LLP**

**CHINA·BEIJING**

*If there is any conflict of meaning between the Chinese and English versions, the Chinese version will prevail*

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(English Translation for Reference Only)

## Auditor's Report

RSMSZ[2026]NO.350Z0003

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

### Opinion

We have audited the financial statements of FIYTA Precision Technology Co., Ltd. (hereafter referred to as “the Company”), which comprises the consolidated and the parent company’s statement of financial position as at 31 December 2025, the consolidated and the parent company’s statement of profit or loss and other comprehensive income, the consolidated and the parent company’s statement of cash flows, the consolidated and the parent company’s statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying the Company’s financial statements present fairly, in all material respects, the consolidated and the company’s financial position as at 31 December 2025, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing (CSAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. In accordance with the Code of Ethics for Professional Accountants and the Code of Independence for Professional Accountants of the Chinese Institute of Certified Public Accountants, we are independent of the Company, have complied with the provisions of the independence standards applicable to audits of financial statements of public interest entities, and have fulfilled our other ethical responsibilities. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the 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.

#### (I) Existence and Net Realizable Value of Inventory

##### 1. Descriptions of the matter

For the details, please refer to Note 3.13 and Note 5.6 of the financial statements.

As stated in Note 5.6, as of 31 December 2025, the carrying amount of the Company's inventory was RMB 1,830.9665 million, with an inventory write-down provision of RMB 102.9841 million, resulting in a net inventory value of RMB 1,727.9824 million, accounting for 46.28% of total assets. The Company's main business involves selling FIYTA brand watches and other agency-branded watches, with year-end inventory primarily consisting of finished watches and watch components. Given the small size and high unit value of branded watches and the widely dispersed inventory across central warehouses, regional warehouses, and retail stores, there is a heightened risk related to inventory existence and impairment.

As of the balance sheet date, the Company's management is required to determine the net realizable value (NRV) of inventory, and any excess of cost over NRV should be written down accordingly. The determination of NRV involves significant management estimates regarding selling prices, costs to completion, selling expenses, and relevant taxes. Due to the materiality of the inventory balance and the significant accounting estimates and judgments involved in the impairment provision, we have identified the existence of inventory and the determination of its NRV as a key audit matter.

##### 2. How the matter was addressed in our audit

The audit procedures we performed in relation to existence and net realizable value of inventory:

- (1) Understanding, evaluating, and testing the design and operating effectiveness of internal controls related to procurement and payment, production and warehousing, and inventory write-down provisions;
- (2) Utilizing expert work to conduct IT audits on the information system to evaluate the

authenticity and accuracy of business data related to financial reporting;

(3) Performing inventory counts at selected warehouses and retail stores to verify the existence and condition of year-end inventory;

(4) Selecting samples of significant purchases during the reporting period and tracing them to purchase contracts, invoices, purchase requisitions, and warehouse receipts;

(5) Sending confirmation requests to selected suppliers to verify transaction amounts and balances to confirm procurement details;

(6) Reviewing the Company's inventory impairment policy and methodology to assess its reasonableness, obtaining management's inventory impairment calculation, and evaluating key assumptions such as estimated selling prices, costs to completion, selling expenses, and related taxes, along with performing recalculations;

## (II) Revenue Recognition

### 1. Descriptions of the matter

For the details, please refer to Note 3.27 and Note 5.33 of the financial statements.

As stated in Note 5.33 to the financial statements, the main operating revenue of the Company for the current year was RMB 3490.3203 million, representing a 11.16% decrease compared to the previous year. The Company's main operating revenue is primarily derived from the sales of self-owned and agency-brand watches.

Since revenue is one of the Company's key performance indicators, there is an inherent risk that revenue may be recognized in the incorrect period or manipulated to meet specific targets or expectations. Therefore, we have identified the revenue recognition of the Company as a key audit matter.

### 2. How the matter was addressed in our audit

The audit procedures we performed in relation to revenue recognition:

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

(2) Utilizing expert work to conduct IT audits on the information system, evaluating the authenticity and accuracy of business data related to financial reporting;

- (3) Obtaining and reviewing accounting policies related to revenue recognition, and assessing whether the timing of control transfer, transaction price measurement, and special transaction accounting treatment comply with the requirements of accounting standards;
- (4) Selecting samples to examine supporting documents related to revenue recognition, including sales contracts, sales invoices, mall reconciliation statements, customer receipt records, and logistics documents;
- (5) Performing audit procedures on accounts receivable by selecting samples for confirmation of transaction amounts and balances with customers, as well as verifying subsequent collections;
- (6) Selecting samples of sales revenue recognized before and after the balance sheet date to review sales contracts, sales invoices, mall reconciliation statements, customer receipt records, and logistics documents to evaluate whether revenue is recognized in the appropriate accounting period.

#### **Other information**

Management of the Company is responsible for the other information. The other information comprises the information included in the Annual Report of the Company for the year of 2025, but does not include the financial statements and our auditor's report thereon.

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

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

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

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards of Business Enterprises, and for the design, implementation and maintenance of such internal control as management determines 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, 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 management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

#### **Auditor's 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 auditor's 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 CSAs 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 CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i) 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.

- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of 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 to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

(This is seal page for Auditor's Report of RSMSZ[2026]No.350Z0003 for FIYTA Precision Technology Co., Ltd.)

RSM China CPA LLP

China·Beijing

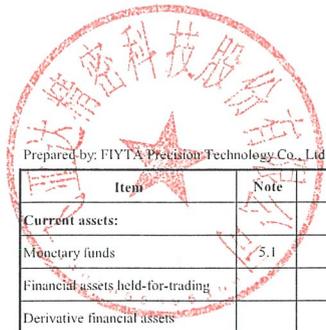
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Cai Ruxiao  
China Certified Public Accountant  
(Engagement Partner)

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Ge Hua  
China Certified Public Accountant

12 March 2026



## Consolidated Statement of Financial Position

31 December 2025

Prepared by: HANYUAN Precision Technology Co., Ltd.

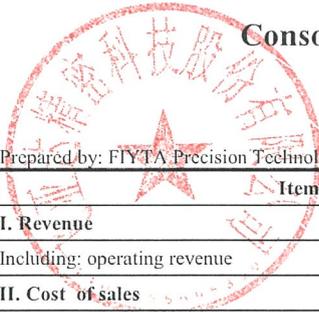
Unit: Yuan Currency: RMB

Item	Note	2025/12/31	2024/12/31	Item	Note	2025/12/31	2024/12/31
<b>Current assets:</b>				<b>Current liabilities:</b>			
Monetary funds	5.1	631,239,039.65	518,954,177.49	Short-term borrowings	5.16		124,087,754.51
Financial assets held-for-trading				Financial liabilities held-for-trading			
Derivative financial assets				Derivative financial liabilities			
Notes receivable	5.2	13,617,187.55	29,611,600.60	Notes payable			
Accounts receivable	5.3	249,868,540.94	260,152,834.43	Accounts payable	5.17	94,791,440.02	115,532,921.57
Accounts receivable financing				Receipts in advance	5.18	11,368,005.63	11,783,796.49
Advances to suppliers	5.4	4,912,759.05	3,858,053.60	Contract liabilities	5.19	16,450,934.50	12,605,722.95
Other receivables	5.5	51,040,153.19	56,982,351.27	Employee benefits payable	5.20	80,059,217.82	92,260,153.14
Including: Interests receivable				Taxes payable	5.21	40,198,014.04	49,815,151.35
Dividend receivable				Other payables	5.22	75,141,232.27	104,638,483.81
Inventories	5.6	1,727,982,404.66	1,984,486,969.74	Including: Interests payables			
Including: Data resources				Dividend payables	5.22		2,785,293.14
Contract assets				Liabilities classified as held for sale			
Assets classified as held for sale				Non-current liabilities maturing within one year	5.23	57,044,492.54	63,538,231.06
Non-current assets maturing within one year				Other current liabilities	5.24	2,392,725.11	1,529,468.07
Other current assets	5.7	66,510,872.63	98,007,925.22	<b>Total current liabilities</b>		<b>377,446,061.93</b>	<b>575,791,682.95</b>
<b>Total current assets</b>		<b>2,745,170,957.67</b>	<b>2,952,053,912.35</b>	<b>Non-current liabilities:</b>			
<b>Non-current assets:</b>				Long-term borrowings			
Debt investments				Bonds payable			
Other debt investments				Including: Preference share			
Long-term receivables				Perpetual debt			
Long-term equity investments	5.8	46,436,556.86	50,907,036.84	Lease liabilities	5.25	17,892,390.31	35,065,292.04
Other equity instrument investment				Long-term payables			
Other non-current financial assets				Long-term employee benefits payable			
Investment properties	5.9	308,270,580.37	301,002,364.41	Estimated liabilities			
Fixed assets	5.10	343,353,998.15	377,568,144.41	Deferred income			
Construction in progress				Deferred tax liabilities	5.14	1,522,995.65	4,990,541.42
Productive biological assets				Other non-current liabilities			
Oil and gas assets				<b>Total non-current liabilities</b>		<b>19,415,385.96</b>	<b>40,055,833.46</b>
Right-of-use assets	5.11	72,791,092.06	98,437,976.41	<b>Total liabilities</b>		<b>396,861,447.89</b>	<b>615,847,516.41</b>
Intangible assets	5.12	31,720,744.04	31,567,927.16	<b>Owners' equity</b>			
Including: Data resources				Share capital	5.26	405,764,007.00	405,764,007.00
Development expenditures				Other equity instruments			
Including: Data resources				Including: Preference shares			
Goodwill				Perpetual debt			
Long-term deferred expenses	5.13	89,174,269.50	110,205,323.29	Capital reserves	5.27	935,609,251.94	936,339,503.60
Deferred tax assets	5.14	90,726,063.88	82,155,778.31	Less: Treasury stock	5.28		12,815,556.81
Other non-current assets	5.15	5,757,347.81	3,792,253.84	Other comprehensive income	5.29	23,665,217.37	15,686,794.62
<b>Total non-current assets</b>		<b>988,230,652.67</b>	<b>1,055,636,804.67</b>	Special reserves	5.30	3,961,169.87	4,340,162.76
				Surplus reserves	5.31	275,010,401.50	275,010,401.50
				Retained earnings	5.32	1,692,530,114.77	1,767,517,887.94
				<b>Total owner's equity attributable to parent company</b>		<b>3,336,540,162.45</b>	<b>3,391,843,200.61</b>
				<b>Non-controlling interests</b>			
				<b>Total owners' equity</b>		<b>3,336,540,162.45</b>	<b>3,391,843,200.61</b>
<b>Total assets</b>		<b>3,733,401,610.34</b>	<b>4,007,690,717.02</b>	<b>Total liabilities and owners' equity</b>		<b>3,733,401,610.34</b>	<b>4,007,690,717.02</b>

Legal Representative:

Chief Financial Officer:

Finance Manager:



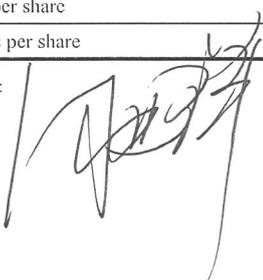
## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

Prepared by: FLYTA Precision Technology Co., Ltd.

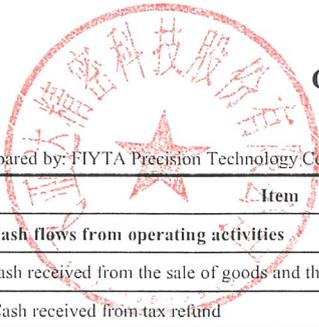
Unit: Yuan Currency: RMB

Item	Note	2025	2024
<b>I. Revenue</b>	5.33	<b>3,508,487,911.40</b>	<b>3,940,530,934.07</b>
Including: operating revenue		3,508,487,911.40	3,940,530,934.07
<b>II. Cost of sales</b>		<b>3,332,189,652.38</b>	<b>3,647,655,677.55</b>
Including: operating cost	5.33	2,262,131,033.76	2,476,197,934.43
Taxes and surcharges	5.34	31,035,870.78	31,477,134.80
Selling and distribution expenses	5.35	781,062,383.74	882,777,806.63
General and administrative expenses	5.36	177,357,796.51	183,277,930.17
Research and development expenses	5.37	69,206,682.36	56,000,000.18
Finance costs	5.38	11,395,885.23	17,924,871.34
Including: Interest expense	5.39	4,883,063.98	10,697,706.12
Interest income	5.39	4,192,623.18	4,925,264.78
Add: Other income	5.39	5,722,898.08	7,492,642.33
Investment income/(losses)	5.40	-3,886,480.19	-431,254.89
Including: Investment income from associates and joint ventures	5.41	-4,324,269.84	-955,570.46
Gains/(losses) from derecognition of financial assets measured at amortised cost			
Income/(losses) from net exposure hedging			
Gains/(losses) from changes in fair values			
Credit impairment losses	5.41	-3,062,496.54	266,485.96
Asset impairment losses	5.42	-53,936,941.10	-19,289,865.31
Gains/(losses) from disposal of assets	5.43	-1,233,966.09	2,367,816.60
<b>III. Profit/(loss) from operations</b>		<b>119,901,273.18</b>	<b>283,281,081.21</b>
Add: Non-operating income	5.44	2,122,706.22	3,623,505.31
Less: Non-operating expenses	5.45	1,920,141.68	788,917.93
<b>IV. Profit/(loss) before tax</b>		<b>120,103,837.72</b>	<b>286,115,668.59</b>
Less: Income tax expenses	5.46	32,786,008.09	65,765,483.60
<b>V. Net profit/(loss) for the year</b>		<b>87,317,829.63</b>	<b>220,350,184.99</b>
(I) Net profit/(loss) by continuity			
Net profit/(loss) from continuing operation		87,317,829.63	220,350,184.99
Net profit/(loss) from discontinued operation			
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		87,317,829.63	220,350,184.99
Attributable to non-controlling interests			
<b>VI. Other comprehensive income for the year, after tax</b>		<b>7,978,422.75</b>	<b>-3,638,541.31</b>
(a) Attributable to owners of the parent		7,978,422.75	-3,638,541.31
(i) Other comprehensive income that will not be reclassified subsequently to profit or loss			
(ii) Other comprehensive income to be reclassified subsequently to profit or loss		7,978,422.75	-3,638,541.31
1. Exchange differences on translating foreign operations		7,978,422.75	-3,638,541.31
(b) Attributable to non-controlling interests			
<b>VII. Total comprehensive income for the year</b>		<b>95,296,252.38</b>	<b>216,711,643.68</b>
Attributable to owners of the parent		95,296,252.38	216,711,643.68
Attributable to non-controlling interests			
<b>VIII. Earnings per share:</b>			
Basic earnings per share		0.2153	0.5385
Diluted earnings per share		0.2152	0.5378

Legal Representative: 

Chief Financial Officer: 

Finance Manager: 



## Consolidated Statement of Cash Flows

For the year ended 31 December 2025

Prepared by: FIYTA Precision Technology Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	2025	2024
<b>I. Cash flows from operating activities</b>			
Cash received from the sale of goods and the rendering of services		3,872,832,475.43	4,337,357,146.69
Cash received from tax refund		1,194,802.61	2,096,237.99
Other cash received relating to operating activities	5.48	37,255,612.03	49,625,091.94
Subtotal of cash inflows from operating activities		3,911,282,890.07	4,389,078,476.62
Cash payments for goods purchased and services received		2,284,465,593.95	2,664,684,979.78
Cash payments to and on behalf of employees		530,491,374.12	596,768,402.64
Payments for taxes		243,848,359.87	260,501,102.47
Other cash payments relating to operating activities	5.48	310,605,274.60	330,393,031.44
Subtotal of cash outflows from operating activities		3,369,410,602.54	3,852,347,516.33
<b>Net cash flows from operating activities</b>		<b>541,872,287.53</b>	<b>536,730,960.29</b>
<b>II. Cash flows from investing activities</b>			
Cash received from disposal and redemption of investments			
Cash received from returns on investments		527,807.98	418,515.82
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		188,317.51	4,848,874.32
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities	5.48	185,690,609.60	201,839,677.57
Subtotal of cash inflows from investing activities		186,406,735.09	207,107,067.71
Cash payments to acquire fixed, intangible and other long-term assets		69,824,736.52	86,818,686.04
Cash payments to acquire investments			
Net cash payments to acquire subsidiaries and other business units			
Other cash payments relating to investing activities	5.48	156,380,120.10	231,179,882.49
Subtotal of cash outflows from investing activities		226,204,856.62	317,998,568.53
<b>Net cash flows from investing activities</b>		<b>-39,798,121.53</b>	<b>-110,891,500.82</b>
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries			
Cash received from borrowings		140,000,000.00	323,957,187.86
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		140,000,000.00	323,957,187.86
Cash repayments of debts		260,000,000.00	450,000,000.00
Cash payments for dividends, distribution of profit and interest expenses		166,409,775.66	168,545,613.69
Including: Dividends, distribution of profit paid to non-controlling shareholders of subsidiaries			
Other cash payments relating to financing activities	5.48	103,960,778.17	116,757,093.91
Subtotal of cash outflows from financing activities		530,370,553.83	735,302,707.60
<b>Net cash flows from financing activities</b>		<b>-390,370,553.83</b>	<b>-411,345,519.74</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		581,249.99	-168,915.95
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>112,284,862.16</b>	<b>14,325,023.78</b>
Plus: Cash and cash equivalents at the beginning of the period		518,954,177.49	504,629,153.71
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>631,239,039.65</b>	<b>518,954,177.49</b>

Legal Representative:

Chief Financial Officer:

Finance Manager:



## Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2025

Prepared by: FUYA Precision Technology Co., Ltd.

Unit: Yuan    Currency: RMB

Item	2025											Total owners' equity	
	Owners' equity attributable to the parent company												Non-controlling interests
	Share capital	Other equity instruments		Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Subtotal			
	Preference shares	Perpetual capital securities	Others										
<b>I. Balance at 31 December 2024</b>	405,764,007.00				936,339,503.60	12,815,556.81	4,340,162.76	275,010,401.50	1,767,517,887.94	3,391,843,200.61		3,391,843,200.61	
Add: Changes in accounting policies													
Correction of prior period errors													
Others													
<b>II. Balance at 1 January 2025</b>	405,764,007.00				936,339,503.60	12,815,556.81	4,340,162.76	275,010,401.50	1,767,517,887.94	3,391,843,200.61		3,391,843,200.61	
<b>III. Changes in equity during the reporting period</b>					-730,251.66	-12,815,556.81	-378,992.89		-74,987,773.17	-55,303,038.16		-55,303,038.16	
(i) Total comprehensive income									87,317,829.63	95,296,252.38		95,296,252.38	
(ii) Capital contributions or withdrawals by owners					-730,251.66	-12,815,556.81				12,085,305.15		12,085,305.15	
1. Ordinary shares contributed by shareholders													
2. Capital contributed by holders of other equity instruments													
3. Share-based payments recognised in owners' equity					-730,251.66	-12,815,556.81				12,085,305.15		12,085,305.15	
4. Others													
(iii) Profit distribution									-162,305,602.80	-162,305,602.80		-162,305,602.80	
1. Transfer to surplus reserves													
2. Profit distribution to owners (or shareholders)									-162,305,602.80	-162,305,602.80		-162,305,602.80	
3. Others													
(iv) Transfer within owners' equity													
1. Capital reserves converted to share capital													
2. Surplus reserves converted to share capital													
3. Loss made up by surplus reserves													
4. Changes in the defined benefit plan transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(v) Special reserves													
1. Withdrawal during the reporting period							-378,992.89			-378,992.89		-378,992.89	
2. Usage during the reporting period							223,177.64			223,177.64		223,177.64	
(vi) Others							-602,170.53			-602,170.53		-602,170.53	
<b>IV. Balance at 31 December 2025</b>	405,764,007.00				935,609,251.94	23,665,217.37	3,961,169.87	275,010,401.50	1,692,530,114.77	3,336,540,162.45		3,336,540,162.45	

Legal Representative:

Chief Financial Officer:

Finance Manager:

## Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2025

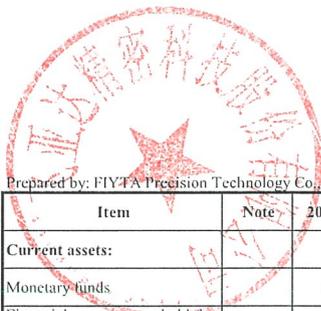
Prepared by: FIYTA Precision Technology Co., Ltd.

Item	2024											Total owners' equity	
	Owners' equity attributable to the parent company												
	Share capital	Preference shares	Perpetual capital securities	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Subtotal		Non-controlling interests
I. Balance at 31 December 2023	415,219,970.00				990,159,033.17	78,645,532.23	19,325,335.93	3,223,158.06	275,010,401.50	1,709,513,385.76	3,333,805,752.19		3,333,805,752.19
Add: Changes in accounting policies													
Correction of prior period errors													
Others													
II. Balance at 1 January 2024	415,219,970.00				990,159,033.17	78,645,532.23	19,325,335.93	3,223,158.06	275,010,401.50	1,709,513,385.76	3,333,805,752.19		3,333,805,752.19
III. Changes in equity during the reporting period	-9,455,963.00				-53,819,529.57	-65,829,975.42	-3,638,541.31	1,117,004.70		58,004,502.18	58,037,448.42		58,037,448.42
(i) Total comprehensive income										220,350,184.99	216,711,643.68		216,711,643.68
(ii) Capital contributions or withdrawals by owners	-9,455,963.00				-53,819,529.57	-65,829,975.42					2,554,482.85		2,554,482.85
1. Ordinary shares contributed by shareholders	-9,355,763.00				-54,984,906.42	-64,340,669.42							
2. Capital contributed by holders of other equity instruments													
3. Share-based payments recognised in owners' equity	-100,200.00				1,165,376.85	-1,489,306.00					2,554,482.85		2,554,482.85
4. Others													
(iii) Profit distribution										-162,345,682.81	-162,345,682.81		-162,345,682.81
1. Transfer to surplus reserves													
2. Profit distribution to owners (or shareholders)													
3. Others													
(iv) Transfer within owners' equity													
1. Capital reserves converted to share capital													
2. Surplus reserves converted to share capital													
3. Loss made up by surplus reserves													
4. Changes in the defined benefit plan transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(v) Special reserves								1,117,004.70			1,117,004.70		1,117,004.70
1. Withdrawal during the reporting period								1,521,112.80			1,521,112.80		1,521,112.80
2. Usage during the reporting period								-404,108.10			-404,108.10		-404,108.10
(vi) Others													
IV. Balance at 31 December 2024	405,764,007.00				936,339,503.60	12,815,556.81	15,686,794.62	4,340,162.76	275,010,401.50	1,767,517,887.94	3,391,843,200.61		3,391,843,200.61

Legal Representative:

Chief Financial Officer:

Finance Manager:



## Statement of Financial Position

31 December 2025

Prepared by: Fiyta Precision Technology Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	2025年12月31日	2024年12月31日	Item	Note	2025年12月31日	2024年12月31日
<b>Current assets:</b>				<b>Current liabilities:</b>			
Monetary funds		457,084,217.33	390,160,466.41	Short-term borrowings			120,130,566.65
Financial assets held-for-trading				Financial liabilities held-for-trading			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable	16.1	9,983,210.72	4,631,990.38	Accounts payable		111,122,030.74	1,928,876.85
Accounts receivable financing				Receipts in advance		11,369,857.62	11,783,796.49
Advances to suppliers				Contract liabilities			
Other receivables	16.2	545,751,274.33	659,565,868.48	Employee benefits payable		17,665,486.91	23,190,240.79
Including: Interests receivable				Taxes payable		790,242.76	779,783.47
Dividend receivable				Other payables		297,160,359.41	252,129,600.19
Inventories		35,526,848.62	45,565.43	Including: Interests payables			
Including: Data resources				Dividend payables			2,785,293.14
Contract assets				Liabilities classified as held for sale			
Assets classified as held for sale				Non-current liabilities maturing within one year			
Non-current assets maturing within one year				Other current liabilities			
Other current assets		25,674,166.66	16,189,136.04	<b>Total current liabilities</b>		<b>438,107,977.44</b>	<b>409,942,864.44</b>
<b>Total current assets</b>		<b>1,074,019,717.66</b>	<b>1,070,593,026.74</b>	<b>Non-current liabilities:</b>			
<b>Non-current assets:</b>				Long-term borrowings			
Debt investments				Bonds payable			
Other debt investments				Including: Preference share			
Long-term receivables				Perpetual debt			
Long-term equity investments	16.3	1,638,980,442.77	1,643,450,922.75	Lease liabilities			
Other equity instrument investment				Long-term payables			
Other non-current financial assets				Long-term employee benefits payable			
Investment properties		218,384,208.08	237,185,496.11	Estimated liabilities			
Fixed assets		242,887,333.30	241,791,004.56	Deferred income			
Construction in progress				Deferred tax liabilities			
Productive biological assets				Other non-current liabilities			
Oil and gas assets				<b>Total non-current liabilities</b>			
Right-of-use assets				<b>Total liabilities</b>		<b>438,107,977.44</b>	<b>409,942,864.44</b>
Intangible assets		24,260,033.91	24,189,360.11	<b>Owners' equity</b>			
Including: Data resources				Share capital		405,764,007.00	405,764,007.00
Development expenditures				Other equity instruments			
Including: Data resources				Including: Preference shares			
Goodwill				Perpetual debt			
Long-term deferred expenses		12,299,699.77	3,692,497.29	Capital reserves		938,999,713.64	939,217,999.41
Deferred tax assets		20,283,973.50	931,572.58	Less: Treasury stock			12,815,556.81
Other non-current assets		1,989,858.55	1,358,052.54	Other comprehensive income			
<b>Total non-current assets</b>		<b>2,159,085,549.88</b>	<b>2,152,598,905.94</b>	Special reserves			
				Surplus reserves		275,010,401.50	275,010,401.50
				Retained earnings		1,175,223,167.96	1,206,072,217.14
				<b>Total owners' equity</b>		<b>2,794,997,290.10</b>	<b>2,813,249,068.24</b>
<b>Total non-current assets</b>		<b>3,233,105,267.54</b>	<b>3,223,191,932.68</b>	<b>Total liabilities and owners' equity</b>		<b>3,233,105,267.54</b>	<b>3,223,191,932.68</b>

Legal Representative:

Chief Financial Officer:

Finance Manager:

# Statement of Profit or Loss and Other Comprehensive Income

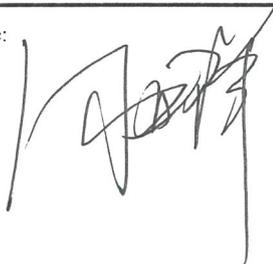
For the year ended 31 December 2025

Prepared by: FIYTA Precision Technology Co., Ltd.

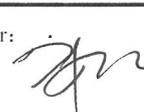
Unit: Yuan Currency: RMB

Item	Note	2025	2024
<b>I. Revenue</b>	16.4	158,754,204.71	184,540,282.60
Less: Costs of sales	16.4	70,244,357.69	56,887,861.74
Taxes and surcharges		7,627,694.72	7,760,550.74
Selling and distribution expenses		51,630,556.48	36,615,636.74
Administrative expenses		52,565,506.43	50,131,039.57
Research and development expenses		13,555,662.81	13,813,526.33
Finance costs		-3,175,932.67	-2,116,792.12
Including: Interest expense		-53,879.69	1,342,394.82
Interest income		2,987,536.92	3,871,354.75
Add: Other income		918,743.58	1,163,695.74
Investment income/(losses)	16.5	190,147,313.45	287,322,662.30
Including: Investment income from associates and joint ventures	16.5	-4,470,479.98	-955,570.46
Gains/(losses) from derecognition of financial assets measured at amortised cost			
Income/(losses) from net exposure hedging			
Gains/(losses) from changes in fair values			
Credit impairment losses		-258,425.46	-1,785,286.03
Asset impairment losses		-45,075,410.47	
Gains/(losses) from disposal of assets		-3,396.34	2,917,069.98
<b>II. Profit/(loss) from operations</b>		<b>112,035,184.01</b>	<b>311,066,601.59</b>
Add: Non-operating income		219,045.86	1,273.45
Less: Non-operating expenses		150,077.17	360,776.94
<b>III. Profit/(loss) before tax</b>		<b>112,104,152.70</b>	<b>310,707,098.10</b>
Less: Income tax expenses		-19,352,400.92	5,918,681.51
<b>IV. Net profit/(loss) for the year</b>		<b>131,456,553.62</b>	<b>304,788,416.59</b>
Net profit/(loss) from continuing operation		131,456,553.62	304,788,416.59
Net profit/(loss) from discontinued operation			
<b>V. Other comprehensive income for the year, after tax</b>			
(i) Other comprehensive income that will not be reclassified subsequently to profit or loss			
(ii) Other comprehensive income to be reclassified subsequently to profit or loss			
<b>VI. Total comprehensive income for the year</b>		<b>131,456,553.62</b>	<b>304,788,416.59</b>

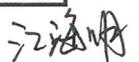
Legal Representative:



Chief Financial Officer:



Finance Manager:





## Statement of Cash Flows

For the year ended 31 December 2025

Prepared by: FLYTA Precision Technology Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	2025	2024
<b>I. Cash flows from operating activities</b>			
Cash received from the sale of goods and the rendering of services		165,237,815.79	195,929,990.98
Cash received from tax refund			47,921.04
Other cash received relating to operating activities		3,397,771,175.74	3,946,025,896.49
Subtotal of cash inflows from operating activities		3,563,008,991.53	4,142,003,808.51
Cash payments for goods purchased and services received		14,155,992.80	20,605,249.00
Cash payments to and on behalf of employees		69,750,918.29	74,801,849.07
Payments for taxes		14,902,865.59	24,754,181.25
Other cash payments relating to operating activities		3,291,243,842.91	3,917,630,232.90
Subtotal of cash outflows from operating activities		3,390,053,619.59	4,037,791,512.22
<b>Net cash flows from operating activities</b>		<b>172,955,371.94</b>	<b>104,212,296.29</b>
<b>II. Cash flows from investing activities</b>			
Cash received from disposal and redemption of investments			
Cash received from returns on investments		194,617,793.43	288,278,232.76
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		5,088.00	4,742,145.47
Net cash received from disposals of subsidiaries and other business units			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		194,622,881.43	293,020,378.23
Cash payments to acquire fixed, intangible and other long-term assets		14,201,019.25	5,993,530.21
Cash payments to acquire investments			10,000,000.00
Net cash payments to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Subtotal of cash outflows from investing activities		14,201,019.25	15,993,530.21
<b>Net cash flows from investing activities</b>		<b>180,421,862.18</b>	<b>277,026,848.02</b>
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions			
Cash received from borrowings		140,000,000.00	320,000,000.00
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		140,000,000.00	320,000,000.00
Cash repayments of debts		260,000,000.00	450,000,000.00
Cash payments for dividends, distribution of profit and interest expenses		166,409,775.66	168,545,613.69
Other cash payments relating to financing activities			794,690.45
Subtotal of cash outflows from financing activities		426,409,775.66	619,340,304.14
<b>Net cash flows from financing activities</b>		<b>-286,409,775.66</b>	<b>-299,340,304.14</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-43,707.54	31,370.89
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>66,923,750.92</b>	<b>81,930,211.06</b>
Plus: Cash and cash equivalents at the beginning of the period		390,160,466.41	308,230,255.35
<b>VI. Cash and cash equivalents at the end of the period</b>		<b>457,084,217.33</b>	<b>390,160,466.41</b>

Legal Representative:

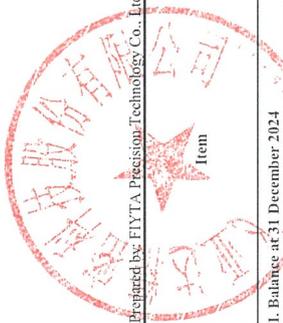
Chief Financial Officer:

Finance Manager:

## Statement of Changes in Owners' Equity

For the year ended 31 December 2025

Item	2025							Total owners' equity		
	Share capital	Other equity instruments		Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves		Surplus reserves	Retained earnings
		Preference shares	Perpetual capital securities							
<b>I. Balance at 31 December 2024</b>	405,764,007.00			939,217,999.41	12,815,556.81			275,010,401.50	1,206,072,217.14	2,813,249,068.24
Add: Changes in accounting policies										
Correction of prior period errors										
Others										
<b>II. Balance at 1 January 2025</b>	405,764,007.00			939,217,999.41	12,815,556.81			275,010,401.50	1,206,072,217.14	2,813,249,068.24
<b>III. Changes in equity during the reporting period</b>										
(i) Total comprehensive income									-30,849,049.18	-18,251,778.14
(ii) Capital contributions or withdrawals by owners										
1. Ordinary shares contributed by shareholders										
2. Capital contributed by holders of other equity instruments										
3. Share-based payments recognised in owners' equity				-218,285.77	-12,815,556.81				131,456,553.62	131,456,553.62
4. Others				-218,285.77	-12,815,556.81					12,597,271.04
(iii) Profit distribution										
1. Transfer to surplus reserves										
2. Profit distribution to owners (or shareholders)									-162,305,602.80	-162,305,602.80
3. Others									-162,305,602.80	-162,305,602.80
(iv) Transfer within owners' equity										
1. Capital reserves converted to share capital										
2. Surplus reserves converted to share capital										
3. Loss made up by surplus reserves										
4. Changes in the defined benefit plan transferred to retained earnings										
5. Other comprehensive income transferred to retained earnings										
6. Others										
(v) Special reserves										
1. Withdrawal during the reporting period										
2. Usage during the reporting period										
(vi) Others										
<b>IV. Balance at 31 December 2025</b>	405,764,007.00			938,999,713.64				275,010,401.50	1,175,223,167.96	2,794,997,290.10



Prepared by: FLYTA Precision Technology Co., Ltd.

Legal Representative:

Chief Financial Officer:

Finance Manager:



## Statement of Changes in Owners' Equity

For the year ended 31 December 2025

Prepared by: FUYA Precision Technology Co., Ltd.

Unit: Yuan      Currency: RMB

Item	2024				Total owners' equity				
	Share capital	Other equity instruments Preference shares Perpetual capital securities Others	Capital reserves	Less: Treasury stock		Other comprehensive income	Special reserves	Surplus reserves	Retained earnings
<b>I. Balance at 31 December 2023</b>	415,219,970.00		993,037,528.98	78,645,532.23	2,668,251,851.60		275,010,401.50	1,063,629,483.35	
Add: Changes in accounting policies									
Correction of prior period errors									
Others									
<b>II. Balance at 1 January 2024</b>	415,219,970.00		993,037,528.98	78,645,532.23	2,668,251,851.60		275,010,401.50	1,063,629,483.35	
<b>III. Changes in equity during the reporting period</b>	-9,455,963.00		-53,819,529.57	-65,829,975.42				142,442,733.79	
(i) Total comprehensive income								304,788,416.59	
(ii) Capital contributions or withdrawals by owners	-9,455,963.00			-65,829,975.42					
1. Ordinary shares contributed by shareholders	-9,355,763.00			-64,340,669.42					
2. Capital contributed by holders of other equity instruments									
3. Share-based payments recognised in owners' equity	-100,200.00		1,165,376.85	-1,489,306.00					2,554,482.85
4. Others									
(iii) Profit distribution								-162,345,682.80	-162,345,682.80
1. Transfer to surplus reserves									
2. Profit distribution to owners (or shareholders)								-162,345,682.80	-162,345,682.80
3. Others									
(iv) Transfer within owners' equity									
1. Capital reserves converted to share capital									
2. Surplus reserves converted to share capital									
3. Loss made up by surplus reserves									
4. Changes in the defined benefit plan transferred to retained earnings									
5. Other comprehensive income transferred to retained earnings									
6. Others									
(v) Special reserves									
1. Withdrawal during the reporting period									
2. Usage during the reporting period									
(vi) Others									
<b>IV. Balance at 31 December 2024</b>	405,764,007.00		939,217,999.41	12,815,556.81	2,813,249,068.24		275,010,401.50	1,206,072,217.14	

Legal Representative:

Chief Financial Officer:

Finance Manager:

## FIYTA Precision Technology Co., Ltd.

### Notes to the Financial Statements

For the year ended 31 December 2025

(All amounts are expressed in Renminbi Yuan(“RMB”)unless otherwise stated)

#### 1. BASIC INFORMATION ABOUT THE COMPANY

FIYTA Precision Technology Co., Ltd. (hereinafter referred to as “the Company”) was established, 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 2025, the outstanding shares issued by the Company was 405.764007 million shares and the registered capital was 405.764007 million after a series of share dividends, rights offering, capitalization of reserves, 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) .

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; Non-residential Real Estate Leasing; Professional Design Services; Sales of Household Electrical Appliances; Sales of Satellite Mobile Communication Terminals. (Except for projects that require approval by law, business activities may be conducted independently based on the business license in accordance with the law.)

The Company included a total of 12 subsidiaries in the consolidation scope for the current period. For details, refer to Note 7, *Interests in Other Entities*. There were no changes in the entities included in the consolidated financial statements compared to the previous period.

The financial statements were approved and authorized for issue, upon the resolution of the Company’s Board of Directors meeting on 12 March 2026.

#### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

## **2.1 Basis of Preparation**

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic standards and concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as “Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC”). In addition, the Company discloses the relevant financial information in accordance with “*Rules No.15 for the Information Disclosure and Reporting of Companies Offering Securities to the Public - General Requirements for Financial Reporting (2023 Revision)*” issued by CSRC.

## **2.2 Going Concern**

The Company has assessed its ability to continually operate for the next twelve months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

## **3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Businesses not mentioned are complied with relevant accounting policies of the Accounting Standards for Business Enterprises.

### **3.1 Statement of Compliance with the Accounting Standards for Business Enterprises**

The Company prepares its financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company’s financial position as at 31 December 2025, and its operating results, changes in shareholders' equity, cash flows and other related information for the year then ended.

### **3.2 Accounting Period**

The accounting year of the Company is from 1 January to 31 December in calendar year.

### **3.3 Operating Cycle**

The normal operating cycle of the Company is twelve months.

### **3.4 Functional Currency**

The Company and its domestic subsidiaries use RMB as the functional currency. The Company’s overseas subsidiary, FIYTA (Hong Kong) Limited ( “FIYTA Hong Kong” ), has determined HKD as its functional currency based on the primary economic environment in which it operates. Montres Chouriet SA, a subsidiary of FIYTA Hong Kong, has determined CHF as its functional currency based on its operating environment. When preparing financial statements, their amounts are translated into RMB. The Company prepares its financial statements in RMB.

### 3.5 Determining Factor and Basis of Selection of Materiality

Item	Factor and basis of materiality
Accounts receivable with significant reversal or recovery of provision for bad debts recognized during the current period	The amount of an individual item for year-end balance is more than RMB 1,000,000
Significant other payables aged more than one year	The amount of an individual item for year-end balance is more than RMB 1,000,000

### 3.6 Accounting Treatment of Business Combinations under and not under Common Control

#### (a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity at the combination date. If the accounting policy and accounting period adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy and accounting period it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

#### (b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy and accounting period adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy and accounting period it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognise the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- (i) It shall review the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- (ii) If, after the review, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognised in profit or loss of the reporting period.

#### (c) Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

### **3.7 Judgment of Control and Method of Preparing the Consolidated Financial Statements**

#### **(a) Judgment of control and consolidation decision**

Control exists when the Company has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The definition of control contains three elements: - power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. The Company controls an investee if and only if the Company has all the above three elements.

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting rights (or similar) or together with other arrangement, but also structured entities under one or more contractual arrangements.

Subsidiaries are the entities that controlled by the Company (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

#### **(b) Method of preparing the consolidated financial statements**

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

- (i) Like items of assets, liabilities, equity, income, expenses and cash flows of the parent are combined with those of the subsidiaries.
- (ii) The carrying amount of the parent's investment in each subsidiary is eliminated (off-set) against the parent's portion of equity of each subsidiary.
- (iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognised in full.

(iv) Make adjustments to special transactions from the perspective of the group.

**(c) Special consideration in consolidation elimination**

(i) Long-term equity investment held by the subsidiaries to the Company shall be recognised as treasury stock of the Company, which is offset with the owner's equity, represented as "treasury stock" under "owner's equity" in the consolidated statement of financial position.

Long-term equity investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated (off-set) against the portion of the corresponding subsidiary's equity.

(ii) Due to not belonging to paid-in capital (or share capital) and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered based on the proportion attributable to owners of the parent company after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

(iii) If temporary timing difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of elimination of unrealized inter-company transaction profit or loss, deferred tax assets of deferred tax liabilities shall be recognised, and income tax expense in the consolidated statement of profit or loss shall be adjusted simultaneously, excluding deferred taxes related to transactions or events directly recognised in owner's equity or business combination.

(iv) Unrealised inter-company transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated against "net profit attributed to the owners of the parent company" in full. Unrealized inter-company transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the related subsidiaries. Unrealized inter-company transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated between "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion of the Company in the selling subsidiaries.

(v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the proportion of non-controlling interest in this subsidiary at the beginning of the period, non-controlling interest is still to be written down.

**3.8 Classification of Joint Arrangements and Accounting for Joint Operation**

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangement of the Company is classified as either a joint operation or a joint venture.

**(a) Joint operation**

A joint operation is a joint arrangement whereby the parties that have joint control of the

arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognise the following items in relation to shared interest in a joint operation, and account for them in accordance with relevant accounting standards of the Accounting Standards for Business Enterprises:

- (i) its assets, including its share of any assets held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) its expenses, including its share of any expenses incurred jointly.

#### **(b) Joint venture**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by applying the equity method of long-term equity investment.

### **3.9 Cash and Cash Equivalents**

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **3.10 Foreign Currency Transactions and Translation of Foreign Currency Financial Statements**

#### **(a) Determination of the exchange rate for foreign currency transactions**

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the functional currency at the spot exchange rate of the transaction date, or at an exchange rate which is determined through a systematic and reasonable method and is approximate to the spot exchange rate of the transaction date (hereinafter referred to as the approximate exchange rate).

#### **(b) Translation of monetary items denominated in foreign currency on the balance sheet date**

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date; for the foreign currency non-monetary items

restated to a fair value measurement, shall be translated into the at the spot exchange rate at the date when the fair value was determined, for the Fair Value Through Profit or Loss, the difference between the restated functional currency amount and the original functional currency amount shall be recorded into the profits and losses at the current period.

### **(c) Translation of foreign currency financial statements**

Before translating the financial statements of foreign operations, the accounting period and accounting policy shall be adjusted so as to conform to the Company. The adjusted foreign operation financial statements denominated in foreign currency (other than functional currency) shall be translated in accordance with the following method:

- (i) The asset and liability items in the statement of financial position shall be translated at the spot exchange rates at the date of that statement of financial position. The owners' equity items except undistributed profit shall be translated at the spot exchange rates when they are incurred.
- (ii) The income and expense items in the statement of profit and other comprehensive income shall be translated at the spot exchange rates or approximate exchange rate at the date of transaction.
- (iii) Foreign currency cash flows and cash flows of foreign subsidiaries shall be translated at the spot exchange rate or approximate exchange rate when the cash flows are incurred. The effect of exchange rate changes on cash is presented separately in the statement of cash flows as an adjustment item.
- (iv) The differences arising from the translation of foreign currency financial statements shall be presented separately as "other comprehensive income" under the owners' equity items of the consolidated statement of financial position.

When disposing a foreign operation involving loss of control, the cumulative amount of the exchange differences relating to that foreign operation recognised under other comprehensive income in the statement of financial position, shall be reclassified into current profit or loss according to the proportion disposed.

### **3.11 Financial Instruments**

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

#### **(a) Recognition and derecognition of financial instrument**

A financial asset or a financial liability should be recognised in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognised when meets one of the following conditions:

- (i) The rights to the contractual cash flows from a financial asset expire
- (ii) The financial asset has been transferred and meets one of the following derecognition

conditions:

Financial liabilities (or part thereof) are derecognised only when the liability is extinguished—i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a regular-way shall be recognised and derecognised using trade date accounting. A regular-way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the market place concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

#### **(b) Classification and measurement of financial assets**

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortised cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognised in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

##### **(i) Financial asset at amortised cost**

The financial asset at amortised cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortised cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognised in current profit or loss.

##### **(ii) Financial asset at fair value through other comprehensive income (FVTOCI)**

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principle and interest on the principal amount outstanding. All changes in fair value are recognised in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognised in current profit or loss. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognised in other comprehensive income except for dividend income recognised in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

(iii) Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortised cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

### **(c) Classification and measurement of financial liabilities**

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts and financial asset at amortised cost.

Subsequent measurement of financial assets will be based on the classification:

(i) Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTP. After initial recognition, any gain or loss (including interest expense) are recognised in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognised under OCI is reclassified to retained earnings.

(ii) Loan commitments and financial guarantee contracts

Loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognised based on expected credit losses model.

Financial guarantee contract is a contract that requires the Company to make specified

payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognised according to the impairment principles of financial instruments; and the amount initially recognised less the cumulative amount of income recognised in accordance with the revenue principles.

(iii) Financial liabilities at amortised cost

After initial recognition, the Company measured other financial liabilities at amortised cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

(i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meet the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

(ii) If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity's own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

**(d) Derivatives and embedded derivatives**

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognised as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognised directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognised in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host,

the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

### **(e) Impairment of financial instrument**

The Company shall recognise a loss allowance based on expected credit losses on a financial asset that is measured at amortised cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment and a financial guarantee contract.

#### **(i) Measurement of expected credit losses**

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (ie all cash shortfalls), discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit-impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased

significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (ie, impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortised cost after deducting of impairment loss.

For notes receivable, accounts receivable and accounts receivable financing, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

### Receivables

For the notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognise the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Group 1: Commercial acceptance bills

Group 2: Bank acceptance bills

For each group, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Group 1: Accounts receivables due from customers

For each group, the Company calculates expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Group 1: Deposit and guarantee receivable

Group 2: Employee advance payments

Group 3: Others

For each group, the Company calculates expected credit losses through default exposure and the 12-months or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

The Company calculates the aging of receivables (notes receivable, accounts receivable, and other receivables) based on the period from the transaction date to the balance sheet date to determine credit risk characteristic groups.

Debt investment and other debt investment

For debt investment and other debt investment, the Company shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty and the type of risk exposure.

(ii) Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

(iii) Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the Company are as following:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the borrower; An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality

of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise influence the probability of a default occurring;

- Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behavior of the borrower;
- Contractual payments are more than 30 days past due.

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

#### (iv) Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortised cost and debt investment at fair value through other comprehensive income. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

#### (v) Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit loss and recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortised cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(vi) Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognised in profit or loss as reversal of impairment loss.

**(f) Transfer of financial assets**

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

(i) Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognised.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognised in profit or loss:

- The carrying amount of transferred financial asset;

- The sum of consideration received and the part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments*).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognised (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognised) and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognised in profit or loss:

- The carrying amount (measured at the date of derecognition) allocated to the part derecognised;
- The sum of the consideration received for the part derecognised and part derecognised of the cumulative changes in fair value previously recognised in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises - Recognition and Measurement of Financial Instruments*).

(ii) Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognise the transferred asset to the extent of its continuing involvement and also recognise an associated liability.

The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

(iii) Continue to recognise the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognise the transferred asset in its entirety and the consideration received shall be recognised as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognise any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

**(g) Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

The Company currently has a legally enforceable right to set off the recognised amounts; The Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company shall not offset the transferred asset and the associated liability.

#### **(h) Determination of fair value of financial instruments**

Determination of fair value of financial assets and financial liabilities please refer to Note 3.12

### **3.12 Fair Value Measurement**

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

The Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

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

#### ● Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, including the market approach, the income approach and the cost approach. The Company shall use valuation techniques consistent with one or more of those approaches to measure fair value. If multiple valuation techniques are used to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

When using the valuation technique, the Company shall give the priority to relevant observable inputs. The unobservable inputs can only be used when relevant observable inputs is not available or practically would not be obtained. Observable inputs refer to the information which

is available from market and reflects the assumptions that market participants would use when pricing the asset or liability. Unobservable Inputs refer to the information which is not available from market and it has to be developed using the best information available in the circumstances from the assumptions that market participants would use when pricing the asset or liability.

- Fair value hierarchy

To Company establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and second to the Level 2 inputs and the lowest priority to Level 3 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

### **3.13 Inventories**

#### **(a) Classification of inventories**

Inventories are finished goods or products held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services, including raw materials, work in progress, and goods in stock, etc.

#### **(b) Measurement method of cost of inventories sold or used**

The cost of raw materials and goods in stock (except the branded luxury watch inventory) used or sold is determined on the weighted average basis, while the cost of the branded luxury watch inventory used or sold is determined on individual valuation method basis.

#### **(c) Inventory system**

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus or losses of inventory stocktaking shall be included in current profit and loss.

#### **(d) Recognition Criteria and Provision for impairment of inventory**

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognised as provision for impairment of inventory, and recognised in current profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and impact of post balance sheet event shall be considered.

(i) In normal operation process, finished goods, products and materials for direct sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net

realizable value of the excess portion of inventories shall be based on general selling prices. Net realizable value of materials held for sale shall be measured based on market price.

(ii) For materials in stock need to be processed, in the ordinary course of production and business, net realisable value is determined at the estimated selling price less the estimated costs of completion, the estimated selling expenses and relevant taxes. If the net realisable value of the finished products produced by such materials is higher than the cost, the materials shall be measured at cost; if a decline in the price of materials indicates that the cost of the finished products exceeds its net realisable value, the materials are measured at net realisable value and differences shall be recognised at the provision for impairment.

(iii) Provisions for inventory impairment are generally determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on group basis.

(iv) If any factor rendering write-downs of the inventories has been eliminated at the reporting date, the amounts written down are recovered and reversed to the extent of the inventory impairment, which has been provided for. The reversal shall be included in profit or loss.

### **3.14 Contract Assets and Contract Liabilities**

The Company shall present contract assets or contract liabilities in the statement of financial position, depending on the relationship between the Company's satisfying a performance obligation and the customer's payment. A contract asset shall be presented if the Company has the right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. A contract liability shall be presented if the Company has the obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer.

Method of determination and accounting for expected credit loss for contract assets please refer to Note 3.11.

Contract assets and contract liabilities shall be presented separately in the statement of financial position. The contract asset and contract liability for the same contract shall be presented on a net basis. A net balance shall be listed in the item of "Contract assets" or "Other non-current assets" according to its liquidity; a credit balance shall be listed in the item of "Contract liabilities" or "Other non-current liabilities" according to its liquidity. Contract assets and contract liabilities for different contracts cannot be offset.

### **3.15 Contract costs**

Contract costs include costs to fulfill a contract and the costs to obtain a contract.

The Company shall recognise an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract, including: direct labour,

direct materials, manufacturing costs (or similar costs), costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because an entity entered into the contract;

(ii) the costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and

(iii) the costs are expected to be recovered.

The incremental costs of obtaining a contract shall be recognised as an asset if the Company expects to recover them.

An asset related to contract costs shall be amortised on a systematic basis that is consistent with the revenue recognition of the goods or services to which the asset relates. The Company recognises the contract acquisition costs as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

The Company shall accrue the provision for impairment, recognise an impairment loss in profit or loss to the extent that the carrying amount of an asset related to the contract cost exceeds the difference of below two items, and further consider whether the estimated liability related to the onerous contract needs to be accrued:

(i) the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less

(ii) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

The Company shall recognise in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortisation) if no impairment loss had been recognised previously.

Providing that the costs to fulfil a contract satisfy the requirement to be recognised as an asset, the Company shall present them in the account “Inventory” if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account “Other non-current assets” if the contract has an original expected duration of more than one year (or a normal operating cycle).

Providing that the costs to obtain a contract satisfy the requirement to be recognised as an asset, the Company shall present them in the account “Other current asset” if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account “Other non-current assets” if the contract has an original expected duration of more than one year (or a normal operating cycle).

### **3.16 Long-term Equity Investments**

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures.

Associates of the Company are those entities over which the Company has significant influence.

**(a) Determination basis of joint control or significant influence over the investee**

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In assessing whether the Company has joint control of an arrangement, the Company shall assess first whether all the parties, or a group of the parties, control the arrangement. When all the parties, or a group of the parties, considered collectively, are able to direct the activities of the arrangement, the parties control the arrangement collectively. Then the Company shall assess whether decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. If two or more groups of the parties could control the arrangement collectively, it shall not be assessed as have joint control of the arrangement. When assessing the joint control, the protective rights are not considered.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

If the Company holds, directly or indirectly 20% or more but less than 50% of the voting power of the investee, it is presumed that the Company has significant influence of the investee, unless it can be clearly demonstrated that in such circumstance, the Company cannot participate in the decision-making in the production and operating of the investee.

**(b) Determination of initial investment cost**

**(i) Long-term equity investments generated in business combinations**

For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognised as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognised as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of

the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For business combination not under common control, the assets paid, liabilities incurred or assumed and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognised as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognised in profit or loss as incurred.

(ii) Long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost, including the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in current profit or loss. If the exchange of non-monetary assets does not meet the above criterion, the book value of the assets traded out and relevant taxes are recognised as the initial investment cost.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained and the difference between initial investment cost and carrying amount of debts shall be recorded in current profit or loss.

### **(c) Subsequent measurement and recognition of profit or loss**

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

#### **(i) Cost method**

For Long-term equity investment at cost method, cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognises its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

#### **(ii) Equity method**

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable

assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognises the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognised in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognises its share of the investee's net profits or losses after making appropriate adjustments of investee's net profit based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment income or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from inter-company transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognised. Any losses resulting from inter-company transactions between the investor and the investee, which belong to asset impairment, shall be recognised in full.

Where the Company obtains the power of joint control or significant influence, but not control, over the investee, due to additional investment or other reason, the relevant long-term equity investment shall be accounted for by using the equity method, initial cost of which shall be the fair value of the original investment plus the additional investment. Where the original investment is classified as other equity investment, difference between its fair value and the carrying value, in addition to the cumulative changes in fair value previously recorded in other comprehensive income, shall be recognised into retained earnings of the period of using equity method.

If the Company loses the joint control or significant influence of the investee for some reasons such as disposal of equity investment, the retained interest shall be measured at fair value and the difference between the carrying amount and the fair value at the date of loss the joint control or significant influence shall be recognised in profit or loss. When the Company discontinues the use of the equity method, the Company shall account for all amounts previously recognised in other comprehensive income under equity method in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

**(d) Impairment testing and provision for impairment loss**

For investment in subsidiaries, associates or a joint ventures, provision for impairment loss please refer to Note 3.22.

**3.17 Investment Properties****(a) Classification of investment properties**

Investment properties are properties to earn rentals or for capital appreciation or both, including:

- (i) Land use right leased out
- (ii) Land held for transfer upon appreciation
- (iii) Buildings leased out

**(b) The measurement model of investment property**

The Company adopts the cost model for subsequent measurement of investment properties. For provision for impairment please refer to Note 3.22.

The Company calculates the depreciation or amortization based on the net amount of investment property cost less the accumulated impairment and the net residual value using straight-line method. The estimated useful life and annual depreciation rates which are determined according to the categories, estimated economic useful lives and estimated net residual rates are listed as followings:

Category	Estimated useful life (year)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	20-35	5.00	2.71-4.85

**3.18 Fixed Assets**

Fixed assets refer to the tangible assets with higher unit price held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year.

**(a) Recognition criteria of fixed assets**

Fixed assets will only be recognised at the actual cost paid when obtaining as all the following criteria are satisfied:

- (i) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- (ii) The costs of the fixed assets can be measured reliably.

Subsequent expenditure for fixed assets shall be recorded in cost of fixed assets, if recognition criteria of fixed assets are satisfied, otherwise the expenditure shall be recorded in current profit or loss when incurred.

**(b) Depreciation methods of fixed assets**

The Company begins to depreciate the fixed asset from the next month after it is available for intended use using the straight-line-method. The estimated useful life and annual depreciation rates which are determined according to the categories, estimated economic useful lives and estimated net residual rates of fixed assets are listed as followings:

Category	Depreciation method	Estimated useful life (year)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	straight-line-method	20-35	5.00	2.71-4.85
Machinery equipment	straight-line-method	10	5.00-10.00	9.00-9.50
Electrical equipment	straight-line-method	5	5.00	19.00
Vehicles	straight-line-method	5	5.00	19.00
Other equipment	straight-line-method	5	5.00	19.00

For the fixed assets with impairment provided, the impairment provision should be excluded from the cost when calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the fixed assets shall be adjusted if it is changed compared to the original estimation.

**3.19 Construction in Progress****(a) Classification of construction in progress**

Construction in progress is measured on an individual project basis.

**(b) Recognition criteria and timing of transfer from construction in progress to fixed assets**

The initial book values of the fixed assets are stated at total expenditures incurred before they are ready for their intended use, including construction costs, original price of machinery equipment, other necessary expenses incurred to bring the construction in progress to get ready for its intended use and borrowing costs of the specific loan for the construction or the proportion of the general loan used for the constructions incurred before they are ready for their intended use. The construction in progress shall be transferred to fixed asset when the installation or construction is ready for the intended use. For construction in progress that has been ready for their intended use but relevant budgets for the completion of projects have not

been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when the fixed assets are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

### **3.20 Borrowing Costs**

#### **(a) Recognition criteria and period for capitalization of borrowing costs**

The Company shall capitalize the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets when meet the following conditions:

- (i) Expenditures for the asset are being incurred;
- (ii) Borrowing costs are being incurred, and;
- (iii) Acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale are in progress.

Other borrowing cost, discounts or premiums on borrowings and exchange differences on foreign currency borrowings shall be recognized into current profit or loss when incurred.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption is for a continuous period of more than 3 months.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognised as expenses when incurred.

#### **(b) Capitalization rate and measurement of capitalized amounts of borrowing costs**

When funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, the Company shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any interest income on bank deposit or investment income on the temporary investment of those borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowing, the eligible amounts are determined by the weighted-average of the cumulative capital expenditures in excess of the specific borrowing multiplied by the general borrowing capitalization rate. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general borrowing.

### **3.21 Intangible Assets**

#### **(a) Measurement method of intangible assets**

Intangible assets are recognised at actual cost at acquisition.

#### **(b) The useful life and amortisation of intangible assets**

(i) The estimated useful lives of the intangible assets with finite useful lives are as follows:

Category	Estimated useful life	Basis
Land use right	50years	Legal life
Software	5 years	The service life is determined by reference to the period that can bring economic benefits to the Company
Right to use the trademark	5-10 years	The service life is determined by reference to the period that can bring economic benefits to the Company

For intangible assets with finite useful life, the estimated useful life and amortisation method are reviewed annually at the end of each reporting period and adjusted when necessary. No change has incurred in current year in the estimated useful life and amortisation method upon review.

(ii) Assets of which the period to bring economic benefits to the Company are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortisation of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition and systematically amortised on a straight-line basis [units of production method] over the useful life. The amortisation amount shall be recognised into current profit or loss or capitalized as part of the cost of the related asset according to the beneficial items. The amount to be amortised is cost deducting residual value. For intangible assets which has impaired, the cumulative impairment provision shall be deducted as well. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless: there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset and residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Intangible assets with indefinite useful lives shall not be amortised. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated and the intangible assets shall be amortised systematically and reasonably within the estimated useful lives.

### **(c) Scope of Research and Development Expenditures**

The Company classifies the expenses directly related to research and development activities as research and development expenditures, including remuneration of research and development staff, direct material, depreciation cost and long-term amortised expense, design fee, equipment

commissioning fee, intangible assets amortisation cost, outsourcing research and development cost, and other expenses, etc.

**(d) Criteria of classifying expenditures on internal research and development projects into research phase and development phase**

Preparation activities related to materials and other relevant aspects undertaken by the Company for the purpose of further development shall be treated as research phase.

Expenditures incurred during the research phase of internal research and development projects shall be recognised in profit or loss when incurred.

Development activities after the research phase of the Company shall be treated as development phase.

**(e) Criteria for capitalization of qualifying expenditures during the development phase**

Expenditures arising from development phase on internal research and development projects shall be recognised as intangible assets only if all of the following conditions have been met:

- (i) Technical feasibility of completing the intangible assets so that they will be available for use or sale;
- (ii) Its intention to complete the intangible asset and use or sell it;
- (iii) The method that the intangible assets generate economic benefits, including the Company can demonstrate the existence of a market for the output of the intangible assets or the intangible assets themselves or, if it is to be used internally, the usefulness of the intangible assets;
- (iv) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (v) Its ability to measure reliably the expenditure attributable to the intangible asset.

**3.22 Impairment of Long-Term Assets**

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, investment properties subsequently measured at cost, fixed assets ,constructions in progress, intangible assets, and right of use assets, shall be determined according to following method:

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount

of the groups of assets that the individual asset belongs to. Identification of a group of asset is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognised accordingly.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and the recoverable amount shall be then calculated and the impairment loss shall be recognised accordingly. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognise the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognised.

### **3.23 Long-term Deferred Expenses**

Long-term deferred expenses are various expenses already incurred, which shall be amortised over current and subsequent periods with the amortisation period exceeding one year. Long-term deferred expenses are evenly amortised over the beneficial period.

### **3.24 Employee Benefits**

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

According to liquidity, employee benefits are presented in the statement of financial position as "Employee benefits payable" and "Long-term employee benefits payable".

#### **(a) Short-term employee benefits**

##### **(i) Employee basic salary (salary, bonus, allowance, subsidy)**

The Company recognises, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit except for those recognised as capital expenditure based on the requirement of accounting standards.

##### **(ii) Employee welfare**

The Company shall recognise the employee welfare based on actual amount when incurred into current profit or loss or related capital expenditure. Employee welfare shall be measured at fair

value as it is a non-monetary benefits.

(iii) Social insurance such as medical insurance, work injury insurance and maternity insurance, housing funds, labor union fund and employee education fund

Payments made by the Company of social insurance for employees, such as medical insurance, work injury insurance and maternity insurance, payments of housing funds, and labor union fund and employee education fund accrued in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to required accrual bases and accrual ratio in determining the amount of employee benefits and the related liabilities, which shall be recognised in current profit or loss or the cost of relevant asset.

(iv) Short-term paid absences

The company shall recognise the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated. The Company shall recognise relevant employee benefit of non-accumulating paid absences when the absences actually occurred.

(v) Short-term profit-sharing plan

The Company shall recognise the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- The Company has a present legal or constructive obligation to make such payments as a result of past events; and
- A reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

## **(b) Post-employment benefits**

(i) Defined contribution plans

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

When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, they shall be discounted using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined contribution obligations) to measure employee benefits payable.

(ii) Defined benefit plan

*The present value of defined benefit obligation and current service costs*

Based on the expected accumulative welfare unit method, the Company shall make estimates about demographic variables and financial variables in adopting the unbiased and consistent actuarial assumptions and measure defined benefit obligation, and determine the obligation period. The Company shall discount the obligation arising from defined benefit plan using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) in order to determine the present value of the defined benefit obligation and the current service cost.

*The net defined benefit liability or asset*

The net defined benefit liability (asset) is the deficit or surplus recognised as the present value of the defined benefit obligation less the fair value of plan assets (if any).

When the Company has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling.

*The amount recognised in the cost of asset or current profit or loss*

Service cost comprises current service cost, past service cost and any gain or loss on settlement. Other service cost shall be recognised in profit or loss unless accounting standards require or allow the inclusion of current service cost within the cost of assets.

Net interest on the net defined benefit liability (asset) comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling, shall be included in profit or loss.

*The amount recognised in other comprehensive income*

Changes in the net liability or asset of the defined benefit plan resulting from the remeasurements including:

- Actuarial gains and losses, the changes in the present value of the defined benefit obligation resulting from experience adjustments or the effects of changes in actuarial assumptions;
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability or asset;
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income shall not be reclassified to profit or loss in a subsequent period. Upon termination of the original defined benefit plan, the Company may, within equity, transfer the entire amount previously recognized in other comprehensive income to retained earning.

**(c) Termination benefits**

The Company providing termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of

the reporting period, at the earlier of the following dates:

- (i) When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- (ii) When the Company recognises costs or expenses related to a restructuring that involves the payment of termination benefits.

If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Company shall discount the termination benefits using relevant discount rate (market yields at the end of the reporting period on high quality corporate bonds in active market or government bonds with the currency and term which shall be consistent with the currency and estimated term of the defined benefit obligations) to measure the employee benefits.

#### **(d) Other long-term employee benefits**

- (i) Meet the conditions of the defined contribution plan

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, all those benefits payable shall be accounted for as employee benefits payable at their discounted value.

- (ii) Meet the conditions of the defined benefit plan

At the end of the reporting period, the Company recognised the cost of employee benefit from other long-term employee benefits as the following components:

- Service costs;
- Net interest cost for net liability or asset of other long-term employee benefits
- Changes resulting from the remeasurements of the net liability or asset of other long-term employee benefits

In order to simplify the accounting treatment, the net amount of above items shall be recognised in profit or loss or relevant cost of assets.

### **3.25 Estimated Liabilities**

#### **(a) Recognition criteria of estimated liabilities**

The Company recognises the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- (i) That obligation is a current obligation of the Company;
- (ii) It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (iii) The amount of the obligation can be measured reliably.

#### **(b) Measurement method of estimated liabilities**

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount shall be adjusted based on the updated best estimate.

### **3.26 Share-based Payments**

#### **(a) Classification of share-based payments**

Share-based payments of the Company include equity-settled share-based payments and cash-settled share-based payments.

#### **(b) Determining fair value of equity instruments**

(i) The fair value of shares granted to the employees can be determined by reference to the quotations in the active market, adjusted in accordance with the terms and conditions granted (excluding vesting conditions other than market conditions).

(ii) For share option granted to the employees, it is usually difficult to obtain its market price. If the share option with similar terms and conditions is not available, the Company estimates the fair value of those options using an applicable option pricing model.

#### **(c) Basis of best estimate of equity instruments expected to vest**

Every balance sheet date during the vesting period, the Company makes best estimate according to the most updated number of employees that are eligible to exercise their options and revises the number of equity instruments expected to vest in order to make the best estimate of equity instruments expected to vest.

#### **(d) Accounting for implementation of share-based payment programs**

##### *Cash-settled share-based payment*

(i) For cash-settled share-based payment vested immediately after granting, the Company shall recognise relevant costs or expenses at the fair value of the liability borne at grant date and a corresponding increase in liability. Until the liability is settled, the Company shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss.

(ii) If the share instrument do not vest until services during the vesting period are completed or performance conditions are satisfied during the vesting period, at the end of each reporting period during the vesting period, the Company shall recognise relevant costs or expenses and the corresponding increase in liability for services received in the reporting period at the fair value of the liability borne, based on the best available estimate of the number expected to vest.

##### *Equity-settled share-based payment*

(i) For equity-settled share-based payment transaction in which services are received, if the equity instrument granted vest immediately, the Company shall recognise relevant costs or expenses at the fair value of the equity instruments at grant date and the corresponding increase in capital reserve.

(ii) If the equity instrument do not vest until services during the vesting period are completed or performance conditions are satisfied, at the end of each reporting period during the vesting period, the Company shall recognise relevant costs or expenses and the corresponding increase in capital reserve for services received in the reporting period at the fair value of the equity instruments at grant date, based on the best available estimate of the number of equity instruments expected to vest.

#### **(e) Accounting for modification of share-based payment programs**

When the Company modifies terms and conditions of the share-based payment program, if the modification increases the fair value of the equity instruments granted, the increased amount should be recognised for service received accordingly; if the quantity granted of the equity instruments is increased, the increased amount should be recognised for service received accordingly as well. If the modification reduces the total fair value of the share-based payment arrangement, or the terms are changed in such a way that the arrangement is no longer for the benefit of the employee, the entity is still required to account for the services received as consideration for the equity instruments granted as if that modification had not occurred unless a part or all of the equity instruments are cancelled.

#### **(f) Accounting for termination of share-based payment programs**

If a grant of equity instruments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company shall:

(i) Account for the cancellation or settlement as an acceleration of vesting, and therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

(ii) Account for any payment made to the employee on the cancellation or settlement of the grant as the repurchase of an equity interest, and recognize any excess of the payment over the fair value of the equity instruments measured at the repurchase date as an expense.

If the Company repurchases vested equity instruments, the payment made to the employee shall be accounted for as a deduction from equity, and recognize any excess of the payment over the fair value of the equity instruments measured at the repurchase date shall be recognised in current profit or loss.

### **3.27 Revenue**

#### **(a) General Principle**

Revenue is defined as the gross inflow of economic benefits arising in the course of the ordinary activities of the Company when those inflows result in the increases in shareholders' equity,

other than increases relating to contributions from shareholders.

The Company shall recognise revenue when it satisfies a performance obligation in the contract as the customer obtains control of a good or service. Control of a good or service refers to the ability to direct the use of, and obtain substantially all of the remaining economic benefits from, the good or service.

When the contract has two or more obligation performances, the Company shall allocate the transaction price to each performance obligation in proportion to a relative stand-alone selling price at contract inception of the promised good or service underlying each performance obligation in the contract and recognize revenue based on the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price of the contract, if the contract includes a variable consideration, the Company shall determine the best estimate of the variable consideration based on the expected value or the most likely amount and include in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the contract contains a significant financing component, the Company shall determine the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the promised consideration shall be amortised using the effective interest method within the contract period. The Company need not consider the effects of a significant financing component if the period between when the Company transfers control of a good or service to a customer and when the customer pays for that good or service will be one year or less.

The Company satisfies a performance obligation over time, if one of the following criteria is met; otherwise a performance obligation is satisfied at a point in time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation, unless those progress cannot be reasonably measured. The Company measures the progress of a performance obligation for the service rendered using input methods (or output methods). In some circumstances, the Company cannot be able to reasonably measure the progress of a

performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

The Company shall recognise revenue at the point in which a customer obtains control of a promised good or service if a performance obligation is satisfied at a point in time. To determine the point in time at which a customer obtains control of a promised good or service, the Company shall consider indicators of the transfer of control, which include, but are not limited to, the followings:

- (i) The Company has a present right to payment for the good or service – a customer is presently obliged to pay for the good or service;
- (ii) The Company has transferred legal title of an asset to a customer - the customer has legal title to the asset;
- (iii) The Company has transferred physical possession of an asset to a customer - the customer has physical possession of the asset;
- (iv) The Company has transferred the significant risks and rewards of ownership of the asset to a customer - the customer has the significant risks and rewards of ownership of the asset;
- (v) The customer has accepted the asset.

#### Sale with a right of return

For sales with a right of return, when the customer obtains the control of a product, the Company shall recognise revenue for the transferred products in the amount of consideration to which the Company expects to be entitled and a refund liability at the amounts receivable for which the Company does not expect to be entitled; meanwhile, an asset shall be recognised as receivables on the cost of return measured at the former carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value to the entity of returned products), and the net amount of the former carrying amount of the product when transferred to the customer less above mentioned cost shall be recorded into the cost of sales. At the end of each reporting period, the Company shall re-assess the expectations about the sales return and remeasure above mentioned assets and liabilities.

#### Warranties

In accordance with the contract, the law or other requirements, the Company provides a warranty in connection with the sale of a product or construction of a project. For warranties which provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications, the Company shall treat it in accordance with "Accounting Standards for Business Enterprise No. 13-Contingencies". If a warranty, or a part of a warranty, provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the Company shall treat it as a performance obligation, and allocate the transaction price to the warranty based on the relative

proportion to the stand-alone selling price of the product and the service, and recognise revenue when the customer obtains the control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the Company shall consider factors such as: whether the warranty is required by law; the length of the warranty coverage period and the nature of the tasks that the Company promises to perform.

#### Principal versus agent considerations

The Company determines whether it is a principal or an agent of the transaction on the basis of whether it has control over the goods or services before they are transferred to customers. If the Company obtains the control of the specified goods or services from another party and then transfers the goods or services to the customer, the Company is therefore a principal, and recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. Otherwise, the Company is an agent, and shall recognise revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by another party. The fee or commission might be the net amount of received or receivable consideration that the Company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party or determined based on the specified commission amount or proportion.

#### Consideration payable to a customer

The Company shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. The reduction of revenue shall be recognised when (or as) the later of either of the following events occurs: the Company recognises revenue for the transfer of the related goods or services to the customer; and the Company pays or promises to pay the consideration.

#### Customers' unexercised rights

Upon receipt of a prepayment for a good or service from a customer, the Company shall recognise a contract liability in the amount of the prepayment and recognise revenue when it satisfies its performance obligation. If the prepayment to the Company is non-refundable and the customer may not exercise part or all of its contractual rights, and the Company expects to be entitled to a breakage amount related to those unexercised rights of the customer, the Company shall recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer; otherwise, the Company shall recognise the remaining balance of above mentioned liability as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

#### Contract modifications

When the construction contract modifications exist between the Company and the customer:

(i) The Company shall account for a contract modification as a separate contract if the modification results in the addition of promised construction services that are distinct and increase of the price of the contract, and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling prices of the additional promised construction services;

(ii) If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance, and the remaining construction services are distinct from the construction services transferred on or before the date of the contract modification, the Company shall account for the contract modification as if it were a termination of the existing contract and the creation of a new contract with the combination of the remaining performance obligations of the existing contract and the contract modification.

(iii) If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance, and the remaining construction services cannot be distinct from the construction services transferred on or before the date of the contract modification, the Company shall account for the contract modification as if it were a part of the existing contract and the effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue at the date of the contract modification.

#### **(b) Specific Method**

Revenue recognition methods of the Company are as follows:

##### **(i) Sales of watch**

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

##### **A. Online sales**

Revenue shall be recognized at the point that the goods are dispatched, the customer confirmed received the goods, and the platform has collected the payment

##### **B. Offline sales**

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

Revenue shall be recognized at the point when the products are delivered to and accepted by the customer, the payment has been received or the right to collect payment is obtained, and related economic benefits are probable to flow into the entity

##### **C. Consignment sale**

Under consignment sales arrangements, revenue is recognized upon receiving the sales list from the consignee, confirming that control of goods has been transferred to the customer.

##### **D. Sale of consigned goods from others**

Under sale arrangement of consigned goods from others, the Company recognizes revenue using the net method when external consigned products are delivered to customers and control of the goods has been transferred to the buyer

(ii) 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.

(iii) Property leasing

For the accounting treatment of the Company as a lessor, please refer to Note 3.30.

### **3.28 Government Grants**

#### **(a) Recognition of government grants**

A government grant shall not be recognised until there is reasonable assurance that:

- (i) The Company will comply with the conditions attaching to them; and
- (ii) The grants will be received.

#### **(b) Measurement of government grants**

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at a nominal value of RMB 1.00 when reliable fair value is not available.

#### **(c) Accounting for government grants**

(i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government grants pertinent to assets shall be recognised as deferred income, and should be recognised in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognised in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants shall be recognised as deferred income and included into profit or loss in the same period as the relevant expenses or losses are recognised;

If the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognised into current profit or loss.

For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.

Government grants related to daily operation activities are recognised in other income in accordance with the nature of the activities, and government grants irrelevant to daily operation activities are recognised in non-operating income.

(iii) Loan interest subsidy

When loan interest subsidy is allocated to the bank, and the bank provides a loan at lower-market rate of interest to the Company, the loan is recognised at the actual received amount, and the interest expense is calculated based on the principal of the loan and the lower-market rate of interest.

When loan interest subsidy is directly allocated to the Company, the subsidy shall be recognised as offsetting the relevant borrowing cost.

(iv) Repayment of the government grants

Repayment of the government grants shall be recorded by increasing the carrying amount of the asset if the book value of the asset has been written down, or reducing the balance of relevant deferred income if deferred income balance exists, any excess will be recognised into current profit or loss; or directly recognised into current profit or loss for other circumstances.

### **3.29 Deferred Tax Assets and Deferred Tax Liabilities**

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base at the balance sheet date. The Company recognise and measure the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

#### **(a) Recognition of deferred tax assets**

Deferred tax assets should be recognised for deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits can be utilised at the tax rates that are expected to apply to the period when the asset is realised, unless the

deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) Is not a business combination; and
- (ii) At the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

However, a single transaction that meets both of the above two conditions and where the initially recognized assets and liabilities give rise to equal amounts of taxable temporary differences and deductible temporary differences is not eligible for the exemption from the requirement to initially recognize deferred tax liabilities and deferred tax assets under this provision. For the taxable temporary differences and deductible temporary differences arising from the initial recognition of the assets and liabilities of such a transaction, the Company recognizes the corresponding deferred tax liabilities and deferred tax assets separately at the time of the transaction.

The Company shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, only to the extent that, it is probable that:

- (i) The temporary difference will reverse in the foreseeable future; and
- (ii) Taxable profit will be available against which the deductible temporary difference can be utilised.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognises a previously unrecognised deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

#### **(b) Recognition of deferred tax liabilities**

A deferred tax liability shall be recognised for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled.

- (i) No deferred tax liability shall be recognised for taxable temporary differences arising from:
  - The initial recognition of goodwill; or
  - The initial recognition of an asset or liability in a transaction which: is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)
- (ii) An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and joint ventures, except to the extent that both of the following conditions are satisfied:

- The Company is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

**(c) Recognition of deferred tax liabilities or assets involved in special transactions or events**

(i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognised, and simultaneously, goodwill recognised in the business combination shall be adjusted based on relevant deferred tax expense (income).

(ii) Items directly recognised in equity

Current tax and deferred tax related to items that are recognised directly in equity shall be recognised in equity. Such items include: other comprehensive income generated from fair value fluctuation of other debt investments; an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of a prior period (significant) error; amounts arising on initial recognition of the equity component of a compound financial instrument that contains both liability and equity component.

(iii) Unused tax losses and unused tax credits

*Unused tax losses and unused tax credits generated from daily operation of the Company itself*

Deductible loss refers to the loss calculated and permitted according to the requirement of tax law that can be offset against taxable income in future periods. The criteria for recognising deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognising deferred tax assets arising from deductible temporary differences. The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. Income taxes in current profit or loss shall be deducted as well.

*Unused tax losses and unused tax credits arising from a business combination*

Under a business combination, the acquiree's deductible temporary differences which do not satisfy the criteria at the acquisition date for recognition of deferred tax asset shall not be recognised. Within 12 months after the acquisition date, if new information regarding the facts and circumstances exists at the acquisition date and the economic benefit of the acquiree's deductible temporary differences at the acquisition is expected to be realised, the Company shall recognise acquired deferred tax benefits and reduce the carrying amount of any goodwill related to this acquisition. If goodwill is reduced to zero, any remaining deferred tax benefits shall be recognised in profit or loss. All other acquired deferred tax benefits realised shall be recognised in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of inter-company unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognised in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well except for deferred tax related to transactions or events recognised directly in equity and business combination.

(v) Share-based payment settled by equity

If tax authority permits tax deduction that relates to share-based payment, during the period in which the expenses are recognised according to the accounting standards, the Company estimates the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognised when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the cumulative expenses related to share-based payment recognised according to the accounting standards, the tax effect of the excess amount shall be recognised directly in equity.

**(d) Basis for deferred income tax assets and deferred income tax liabilities presented on a net basis**

The Company shall offset deferred tax assets and deferred tax liabilities if, and only if: (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred 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 tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **3.30 Leases**

**(a) Identifying a lease**

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company shall assess whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and to direct the use of the identified asset.

**(b) Identifying a separate lease component**

When a contract includes more than one separate lease components, the Company shall separate components of the contract and account for each lease component separately. The right to use an underlying asset is a separate lease component if both conditions have been satisfied: (i) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; (ii) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

**(c) The Company as a lessee**

At the commencement date, the Company identifies the lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. A lease qualifies as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically of low value. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all the short-term leases or leases for which the underlying asset is of low value, the Company shall recognise the lease payments associated with those leases as cost of relevant asset or expenses in current profit or loss on a straight-line basis over the lease term.

Except for the election of simple treatment as short-term lease or lease of a low-value asset as mentioned above, at the commencement date, the Company shall recognise a right-of-use asset and a lease liability.

**(i) Right-of-use asset**

A right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

At the commencement date, the Company shall initially measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company recognises and measures the cost in accordance with the recognition criteria and measurement method for estimated liabilities, details please refer to Notes 3.25. Those costs incurred to produce inventories shall be included in the cost of inventories.

The right-of-use asset shall be depreciated according to the categories using straight - line method. If it is reasonably certain that the ownership of the underlying asset shall be transferred to the lessee by the end of the lease term, the depreciation rate shall be determined based on the classification of the right-of- use asset and estimated residual value rate from the

commencement date to the end of the useful life of the underlying asset. Otherwise, the depreciation rate shall be determined based on the classification of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, the Company shall remeasure the lease liability based on the revised present value of the lease payments and adjust the carrying amount of the right-of-use asset if there is a change in the in-substance fixed payments, or change in the amounts expected to be payable under a residual value guarantee, or change in an index or a rate used to determine lease payments, or change in the assessment or exercising of an option to purchase the underlying asset, or an option to extend or terminate the lease.

**(d) The Company as a lessor**

At the commencement date, the Company shall classify a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise it shall be classified as an operating lease.

**(i) Operating leases**

The Company shall recognise lease payments from operating leases as income on a straight-line basis over the term of the relevant lease and the initial direct costs incurred in obtaining an operating lease shall be capitalised and recognised as an expense over the lease term on the same basis as the lease income. The Company shall recognise the variable lease payments relating to the operating lease but not included in the measurement of the lease receivables into current profit or loss when incurred.

**(ii) Finance leases**

At the commencement date, the Company shall recognise the lease receivables at an amount equal to the net investment in the lease (the sum of the present value of the unguaranteed residual values and the lease payment that are not received at the commencement date discounted at the interest rate implicit in the lease) and derecognise the asset relating to the finance lease. The Company shall recognise interest income using the interest rate implicit in the lease over the lease term.

The Company shall recognise the variable lease payments relating to the finance lease but not included in the measurement of the net investment in the lease into current profit or loss when incurred.

**(e) Lease modifications**

**(i) A lease modification accounted for as a separate lease**

The Company shall account for a modification to a lease as a separate lease, if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone

price for the increase in scope.

(ii) A lease modification not accounted for as a separate lease

The Company as a lessee

At the effective date of the lease modification, the Company shall redetermine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The Company shall account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. The Company shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- Making a corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

The Company as a lessor

The Company shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For a modification to a finance lease that is not accounted for as a separate lease, the Company shall account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company shall account for the lease modification as a new lease from the effective date of the modification and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification;
- if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Company shall account for the lease modification according to the requirements in the modification or renegotiation of the contract.

#### **(f) Sale and leaseback**

The Company shall determine whether the transfer of an asset under the sale and leaseback transaction is a sale of that asset according to the policies in Note 3.27.

(i) The Company as a seller (lessee)

If the transfer of the asset is not a sale, the Company shall continue to recognise the transferred asset and shall recognise a financial liability equal to the transfer proceeds. It shall account for

the financial liability according to Note 3.11. If the transfer of the asset is a sale, the Company shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

(ii) The Company as a buyer (lessor)

If the transfer of the asset is not a sale, the Company shall not recognise the transferred asset and shall recognise a financial asset equal to the transfer proceeds. It shall account for the financial asset according to Note 3.11. If the transfer of the asset is a sale, the Company shall account for the purchase of the asset applying applicable Accounting Standards of Business Enterprises, and for the lease applying the lessor accounting requirements.

### **3.31 Safety Production Costs**

According to the relevant regulations, the Company accrues the safety production costs.

The safety production costs shall be recognised in the cost of the relevant products or current profit or loss when makes the accrual, and included in the “special reserve” account simultaneously.

When the accrued safety production costs are used within the scope of the regulations, it shall be treated as expense and directly deducted from the special reserve; if the fixed assets are capitalized, the expenditure incurred shall be firstly collectively recorded in “construction in progress” and recognised as fixed asset when the safety project has been completed for its intended use. At the same time, the cost that capitalized as the fixed assets shall be deducted from the special reserve and the accumulated depreciation with the same amount shall be recognised. The fixed assets shall not be depreciated in subsequent reporting period.

### **3.32 Repurchase of Company’s Share**

(a) If the Company reduces its registered capital through repurchase of the Company’s share according to the approval required in relevant laws and regulations, the share capital shall be reduced at the par value of the shares deregistered, the difference between the consideration paid for repurchase (including the transaction cost) and the par value of the shares shall adjust the owner’s equity. Any excess of the total par value shall offset the capital reserve (share premium), surplus reserve and retained earnings in turn. If the consideration paid is less than the total par value, the difference shall increase the capital reserve (share premium).

(b) Before being deregistered or transferred, shares repurchased by the Company shall be treated as treasury stock and all expenditures of the repurchase shall be recognised as the cost of treasury stock.

(c) Any excess of the income generated from transferring the treasury stock over their cost shall increase the capital reserve (share premium), and any less shall offset the capital reserve (share premium), surplus reserve and retained earnings in turn.

### 3.33 Restricted Stock

In the equity incentive plan, the Company shall grant restricted shares to the motivated target, and the motivated object first subscribes for the stock. If the subsequent unlocking conditions specified in the equity incentive plan are not met, the Company repurchases the stock at the price agreed in advance. If the restricted shares issued to employees are subject to the procedures for capital increase such as registration in accordance with relevant regulations, at grant date, the Company shall recognise the share capital and capital reserve (share premium) based on the received subscription fees from the employees; treasury stocks and other payables shall be recognised based on the repurchase obligation.

### 3.34 Changes in Significant Accounting Policies and Accounting Estimates

#### (a) Changes in accounting polices

The Company has no significant changes in accounting polices for the reporting period..

#### (b) Significant changes in accounting estimates

The Company has no significant changes in accounting estimates for the reporting period.

## 4. TAXATION

### 4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate
Value added tax (VAT)	Taxable revenue	Output tax is calculated at rates of 5%, 6%, 9%, and 13% based on sales revenue. After deducting input tax as per regulations, the net tax payable is determined.
Consumption tax	Taxable Price and Sales Volume of High-End Watch Sales Revenue	20%
Urban maintenance and construction tax	Turnover tax payable	5%, 7%
Property tax	70% or 80% of the original cost of property	1.2%, 12%

### Tax rates of income tax of different subsidiaries are stated as below:

Name of Taxpayer	Rate of Income Tax
FIYTA Precision Technology Co., Ltd.	25%
Shenzhen HARMONY World Watch Center Co., Ltd. (i)	25%
FIYTA Sales Co., Ltd. (i)	25%
Shenzhen FIYTA Precision Technology Co., Ltd. (ii)	15%
Shenzhen FIYTA Technology Development Co., Ltd. (ii)	15%

Name of Taxpayer	Rate of Income Tax
HARMONY World Watch Center(Hainan) Co., Ltd. (v)	20%
Shenzhen Xunhang Precision Technology Co., Ltd.	25%
Emile Choureit Timing (Shenzhen) Ltd.	25%
Liaoning Hengdarui Commercial & Trade Co., Ltd.	25%
Temporal (Shenzhen) Co., Ltd.	25%
Shenzhen Harmony E-commerce Co., Ltd. (v)	20%
FIYTA Hong Kong (iii)	16.5%
Montres Chouriet SA (iv)	30%

## Notes:

(i) According to the relevant provisions of the Notice of the State Administration of Taxation on *Issuing the Interim Measures for the Administration of Collection of Enterprise Income Tax on the Basis of Consolidation of Trans-regional Business Operations*, the head office of the Company and its branches shall be governed by the administrative measures for enterprise income tax, namely namely “centralized calculation, level-by-level administration, prepayment at the locality, consolidated settlement and payment, and transfer to treasury”. 50% of the prepayment shall be apportioned among the branches and 50% shall be apportioned by the head office;

(ii) the companies enjoy the corporate income tax rate reduction for “key high-tech enterprises supported by the state”;

(iii) the company is incorporated in Hong Kong and is subject to Hong Kong Profits Tax at a rate of 16.50% for the current year;

(iv) the company is incorporated in Switzerland and is subject to the local tax rate, which the comprehensive tax rate for the current year is 30%;

(v) the companies qualify as small low-profit enterprises and are subject to corporate income tax at a rate of 20%.

#### 4.2 Tax Preference

In accordance with the *Corporate Income Tax Law of the People's Republic of China*, high-tech enterprises that are key areas of state support are subject to a reduced corporate income tax rate of 15%. The subsidiary, Shenzhen FIYTA Precision Technology Co., Ltd., was certified as a high-tech enterprise in 2024 with a certificate number of GR202444200965, valid for three years, and is subject to a corporate income tax rate of 15% from 2024 to 2026. The subsidiary, Shenzhen FIYTA Technology Development Co., Ltd., was certified as a high-tech enterprise in 2025 with a certificate number of GR202544201002, valid for three years, and is subject to a corporate income tax rate of 15% from 2025 to 2027.

In accordance with the relevant provisions of the *Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small and Micro*

*Enterprises and Individual Businesses* (Cai Shui [2023] No. 6), small low-profit enterprises are allowed to include only 25% of their income in the taxable income base and are then subject to a 20% corporate income tax rate.

In accordance with the *Notice of the Ministry of Finance and the State Administration of Taxation on Extending the Loss Carryforward Period for High-Tech Enterprises and Technology-Based Small and Medium-Sized Enterprises* (Cai Shui [2018] No. 76), effective from January 1, 2018, any unutilized losses incurred during the five accounting years prior to obtaining high-tech enterprise status may be carried forward to subsequent years. The maximum carryforward period has been extended from five years to ten years.

In accordance with the *Announcement of the Ministry of Finance and the State Administration of Taxation on Further Improving the Pre-Tax Additional Deduction Policy for R&D Expenses* (Cai Shui [2023] No. 7), for R&D expenses actually incurred by enterprises that do not result in the creation of an intangible asset (and are therefore recorded in the current profit or loss), an additional 100% deduction may be claimed for tax purposes, on top of the statutory deduction, starting from January 1, 2023. If the R&D activities result in the creation of an intangible asset, beginning January 1, 2023, 200% of the intangible asset's cost may be amortized for tax purposes.

Since 2019, Hong Kong has implemented a two-tiered profits tax regime. Under this system, the first HKD 2 million of profits is taxed at a rate of 8.25%, and any profits exceeding that threshold continue to be taxed at 16.5%.

## 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5.1 Monetary funds

Items	31 December 2025	31 December 2024
Cash on hand	34,041.22	76,344.01
Cash in bank	75,156,082.51	18,205,968.96
Other monetary funds	3,489,741.96	2,055,640.10
Funds in finance company	552,559,173.96	498,616,224.42
Total	631,239,039.65	518,954,177.49
Including: The total amount deposited overseas	7,127,169.50	6,150,258.49

Notes:

- (i) Funds in finance company primarily refer to amounts held at AVIC Finance Co., Ltd..
- (ii) As of 31 December 2025, the Company has no pledged or frozen funds, nor any amounts with potential recovery risk.

### 5.2 Notes Receivable

**(a) Notes receivable by category**

Items	31 December 2025			31 December 2024		
	Book Balance	Provision for bad debt	Carrying amount	Book Balance	Provision for bad debt	Carrying amount
Bank acceptance bills	3,665,974.22		3,665,974.22	9,184,912.30		9,184,912.30
Commercial acceptance bills	10,474,961.40	523,748.07	9,951,213.33	21,501,777.16	1,075,088.86	20,426,688.30
Total	14,140,935.62	523,748.07	13,617,187.55	30,686,689.46	1,075,088.86	29,611,600.60

**(b) Notes receivable by bad debt provision method**

Category	31 December 2025				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognised by groups	14,140,935.62	100.00	523,748.07	3.70	13,617,187.55
Including: Group 2	3,665,974.22	25.92			3,665,974.22
Group 1	10,474,961.40	74.08	523,748.07	5.00	9,951,213.33
Total	14,140,935.62	100.00	523,748.07	3.70	13,617,187.55

(Continued)

Category	31 December 2024				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually					
Provision for bad debt recognised by groups	30,686,689.46	100.00	1,075,088.86	3.50	29,611,600.60
Including: Group 2	9,184,912.30	29.93			9,184,912.30
Group 1	21,501,777.16	70.07	1,075,088.86	5.00	20,426,688.30
Total	30,686,689.46	100.00	1,075,088.86	3.50	29,611,600.60

For details of recognition criteria and explanation for provision of bad debt by groups, please refer to Notes 3.11.

**(c) Changes of provision for bad debt during the reporting period**

Category	31 December 2024	Changes during the reporting period				31 December 2025
		Provision	Recovery or reversal	Elimination or write-off	others	
Provision for bad debt recognised individually						
Provision for bad debt recognised by groups	1,075,088.86	-551,340.79				523,748.07
Including: Group 2	1,075,088.86	-551,340.79				523,748.07
Group 1	1,075,088.86	-551,340.79				523,748.07
Total	1,075,088.86	-551,340.79				523,748.07

### 5.3 Accounts Receivable

#### (a) Accounts receivable by aging

Aging	31 December 2025	31 December 2024
Within one year	260,899,769.98	271,349,349.06
1-2 years	3,565,228.42	764,175.79
2-3 years	524,363.37	1,410,843.36
Over 3 years	9,567,138.57	20,138,406.23
Subtotal	274,556,500.34	293,662,774.44
Less: provision for bad debt	24,687,959.40	33,509,940.01
Total	249,868,540.94	260,152,834.43

#### (b) Accounts receivable by bad debt provision method

Category	31 December 2025				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	15,766,982.49	5.74	15,433,987.23	97.89	332,995.26
Provision for bad debt recognised by groups	258,789,517.85	94.26	9,253,972.17	3.58	249,535,545.68
Including: Group 1	258,789,517.85	94.26	9,253,972.17	3.58	249,535,545.68
Total	274,556,500.34	100.00	24,687,959.40	8.99	249,868,540.94

(Continued)

Category	31 December 2024				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt	25,816,016.35	8.79	24,222,124.31	93.83	1,593,892.04

Category	31 December 2024				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
recognised individually					
Provision for bad debt recognised by groups	267,846,758.09	91.21	9,287,815.70	3.47	258,558,942.39
Including:Group1	267,846,758.09	91.21	9,287,815.70	3.47	258,558,942.39
Total	293,662,774.44	100.00	33,509,940.01	11.41	260,152,834.43

Detailed explanation of provision for bad debt:

(i) As at 31 December 2025, accounts receivable with bad debt provision recognised individually

Name	31 December 2025			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason for provision
Other customers	15,766,982.49	15,433,987.23	97.89	Existence of disputes, poor management, ect

(ii) As at 31 December 2025, accounts receivable with bad debt provision recognised by group 1

Aging	31 December 2025			31 December 2024		
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	257,859,630.24	8,916,306.48	3.46	266,494,339.01	8,150,327.80	3.06
1-2 years	658,024.35	65,802.43	10.00	238,812.42	23,881.24	10.00
Over 2 years	271,863.26	271,863.26	100.00	1,113,606.66	1,113,606.66	100.00
Total	258,789,517.85	9,253,972.17	3.58	267,846,758.09	9,287,815.70	3.47

**(c) Changes of provision for bad debt during the reporting period**

Category	31 December 2024	Changes during the reporting period				31 December 2025
		Provision	Recovery or reversal	Elimination or write-off	Others	
Provision for bad debt recognised individually	23,148,792.25	4,728,732.75	3,699,262.84		43,862.15	24,222,124.31
Provision for bad debt recognised by groups	11,242,194.21	-1,945,944.73			-8,433.78	9,287,815.70
Including:Group1	11,242,194.21	-1,945,944.73			-8,433.78	9,287,815.70
Total	34,390,986.46	2,782,788.02	3,699,262.84		35,428.37	33,509,940.01

**(d) Details of accounts receivable written off during the current period**

Items	Amount
Accounts receivable written off	9,701,377.67

**(e) Top five closing balances by entity**

Entity name	Nature of Amount	Balance as at 31 December 2025	Age of Amount	Percentage of Total Other Receivables at Period End (%)	Provision for Bad Debts
No. 1	Others	2,650,000.00	Within 1 year	4.56	2,650,000.00
No. 2	Deposit and guarantee receivable	1,998,936.00	Within 1 year	3.44	99,946.79
No. 3	Deposit and guarantee receivable	1,937,848.05	Within 1 year	3.33	115,232.33
No. 4	Deposit and guarantee receivable	1,859,688.00	Within 1 year	3.20	92,984.40
No. 5	Deposit and guarantee receivable	1,594,477.50	Within 1 year	2.74	79,723.88

**5.4 Advances to Suppliers****(a) Advances to suppliers by aging**

Aging	31 December 2025		31 December 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	4,912,759.05	100.00	3,858,053.60	100.00

**(b) Top five closing balances by entity**

Entity name	Balance as at 31 December 2025	Proportion of the balance to the total advances to suppliers (%)
Total of the top five advances to suppliers at the end of the period	2,771,821.79	56.42

**5.5 Other Receivables****(a) Other receivables by aging**

Aging	31 December 2025	31 December 2024
Within one year	54,498,112.58	59,521,049.33
1-2 years	2,058,962.96	302,069.34
2-3 years	103,556.63	219,738.83
Over 3 years	1,446,064.90	1,278,954.90
Subtotal	58,106,697.07	61,321,812.40
Less: provision for bad debt	7,066,543.88	4,339,461.13
Total	51,040,153.19	56,982,351.27

**(b) Other receivables by nature**

Nature	31 December 2025	31 December 2024
Deposit and guarantee receivable	49,507,243.06	52,384,967.00
Employee advance payments	941,768.76	1,282,327.49
Others	7,657,685.25	7,654,517.91
Subtotal	58,106,697.07	61,321,812.40
Less: provision for bad debt	7,066,543.88	4,339,461.13
Total	51,040,153.19	56,982,351.27

**(c) Other receivables by bad debt provision method**

A. As at 31 December 2025, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	53,691,455.91	2,651,302.72	51,040,153.19
Stage 2			
Stage 3	4,415,241.16	4,415,241.16	
Total	58,106,697.07	7,066,543.88	51,040,153.19

As at 31 December 2025, provision for bad debt at stage 1:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually				
Provision for bad debt recognised by groups	53,691,455.91	4.94	2,651,302.72	51,040,153.19
Including: Group 1	48,443,814.53	5.06	2,453,308.64	45,990,505.89
Group 2	908,012.96			908,012.96
Group 3	4,339,628.42	4.56	197,994.08	4,141,634.34
Total	53,691,455.91	4.94	2,651,302.72	51,040,153.19

As at 31 December 2025, provision for bad debt at stage 3:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	4,415,241.16	100.00	4,415,241.16	

B. As at 31 December 2024, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	59,786,824.63	2,872,168.83	56,914,655.80
Stage 2			
Stage 3	1,534,987.77	1,467,292.30	67,695.47

Stages	Book balance	Provision for bad debt	Carrying amount
Total	61,321,812.40	4,339,461.13	56,982,351.27

As at 31 December 2024, provision for bad debt at stage 1:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually				
Provision for bad debt recognised by groups	59,786,824.63	4.80	2,872,168.83	56,914,655.80
Including: Group 1	51,515,791.06	5.10	2,629,814.29	48,885,976.77
Group 2	1,282,327.49			1,282,327.49
Group 3	6,988,706.08	3.47	242,354.54	6,746,351.54
Total	59,786,824.63	4.80	2,872,168.83	56,914,655.80

As at 31 December 2024, provision for bad debt at stage 3:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually	1,534,987.77	95.59	1,467,292.30	67,695.47

Basis of provision for bad debt during the reporting period:

For details of recognition criteria and explanation for provision of bad debt by groups, please refer to Notes 3.11

**(d) Changes of provision for bad debt during the reporting period**

Category	31 December 2024	Changes during the reporting period				31 December 2025
		Provision	Recovery or reversal	Elimination or write-off	Others	
Provision for bad debt recognised individually	1,467,292.30	2,960,644.33	12,695.47			4,415,241.16
Provision for bad debt recognised by groups	2,872,168.83	-221,458.72			592.61	2,651,302.72
Total	4,339,461.13	2,739,185.61	12,695.47		592.61	7,066,543.88

**(e) Details of other receivables written off during the current period**

Items	Amount
Accounts receivable actually written off	9,701,377.67

**(f) Top five closing balances by entity**

Entity name	Balance as at 31 December 2025	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Total of the top five other receivables at the end of the period.	10,040,949.55	17.28	3,037,887.40

## 5.6 Inventories

### (a) Inventories by category

Items	31 December 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw materials	123,474,829.59	9,910,053.86	113,564,775.73	114,983,902.68	2,082,708.59	112,901,194.09
Work in process	7,461,603.28		7,461,603.28	8,125,895.42		8,125,895.42
Goods in stock	1,700,030,073.29	93,074,047.64	1,606,956,025.65	1,934,763,585.61	71,303,705.38	1,863,459,880.23
Total	1,830,966,506.16	102,984,101.50	1,727,982,404.66	2,057,873,383.71	73,386,413.97	1,984,486,969.74

### (b) Provision for impairment

Items	31 December 2024	Increase during the reporting period		Decrease during the reporting period		31 December 2025
		Provision	Others	Reversal or elimination	Others	
Raw materials	2,082,708.59	7,875,652.42			48,307.15	9,910,053.86
Work in process						
Goods in stock	71,303,705.38	46,061,288.68		24,178,528.73	112,417.69	93,074,047.64
Total	73,386,413.97	53,936,941.10		24,178,528.73	160,724.84	102,984,101.50

## 5.7 Other Current Assets

Items	31 December 2025	31 December 2024
Reclassification from debit side balance of VAT payable	47,303,261.96	45,766,634.09
Term Deposit		29,408,855.46
Advance Tax Payment	5,517,052.75	4,402,072.04
Others	13,690,557.92	18,430,363.63
Total	66,510,872.63	98,007,925.22

## 5.8 Long-term Equity Investments

Investees	31 December 2024	Changes during the reporting period				
		Addition al investme nt	Decrease in investme nt	Investment income/(losses) recognised under equity method	Adjustments of other comprehensi ve income	Changes in other equity
I. Associates						
Shanghai Watch Co., Ltd.	50,907,036.84			-4,470,479.98		

(Continued)

Investees	Changes during the reporting period			31 December 2025	Provision for impairment at 31 December 2025
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
II. Associates					
Shanghai Watch Co., Ltd.				46,436,556.86	

## 5.9 Investment Properties

### (a) Investment properties accounted for using cost model

Items	Building and plants
Initial cost:	
Balance as at 31 December 2024	544,545,292.87
Increase during the reporting period	31,364,878.67
(i) Transfer from fixed assets	31,364,878.67
Decrease during the reporting period	20,051,952.11
(i) Transfer to fixed assets	20,051,952.11
Balance as at 31 December 2025	555,858,219.43
Accumulated depreciation and amortisation:	
Balance as at 31 December 2024	243,542,928.46
Increase during the reporting period	15,299,764.79
(i) Provision	12,747,661.27
(ii) Transfer from fixed assets	2,552,103.52
Decrease during the reporting period	11,255,054.19
(i) Transfer to fixed assets	11,255,054.19
Balance as at 31 December 2025	247,587,639.06
Provision for impairment:	
Carrying amount:	

Items	Building and plants
Balance as at 31 December 2025	308,270,580.37
Balance as at 31 December 2024	301,002,364.41

## 5.10 Fixed Assets

### (a) Details of fixed assets

Items	Buildings and constructions	Machinery equipment	Vehicles	Electrical equipment	Other equipment	Total
Initial cost:						
Balance as at 31 December 2024	515,518,210.64	131,660,591.28	12,031,744.02	51,743,615.12	43,815,743.01	754,769,904.07
Increase during the reporting period	25,735,214.41	9,976,509.89	6,095.44	5,123,507.07	1,819,719.87	42,661,046.68
(i) Acquisition		7,421,347.01	6,095.44	5,042,075.03	1,585,918.17	14,549,793.21
(ii) Transfer from investment properties	20,051,952.11					20,051,952.11
(iii) Exchange differences on translating foreign operations	5,683,262.30	2,555,162.88		81,432.04	233,801.70	8,059,301.36
Decrease during the reporting period	31,439,555.87	662,604.92	2,690,812.87	3,977,462.46	3,915,311.32	42,685,747.44
(i) Disposal		631,760.47	2,690,812.87	3,977,139.78	3,915,311.32	11,215,024.44
(ii) Transfer to investment properties	31,364,878.67					31,364,878.67
(iii) Exchange differences on translating foreign operations	74,677.20	30,844.45		322.68		105,844.33
Balance as at 31 December 2025	509,813,869.18	140,974,496.25	9,347,026.59	52,889,659.73	41,720,151.56	754,745,203.31
Accumulated depreciation:						
Balance as at 31 December 2024	195,960,430.03	90,553,556.06	11,195,032.63	40,399,800.29	39,092,940.65	377,201,759.66
Increase during the reporting period	31,272,155.78	9,484,929.29	565,561.39	3,434,613.56	1,286,779.15	46,044,039.17
(i) Provision	16,034,245.03	6,995,125.56	565,561.39	3,357,907.33	1,053,059.37	28,005,898.68
(ii) Transfer from investment properties	11,255,054.19					11,255,054.19
(iii) Exchange differences on translating foreign operations	3,982,856.56	2,489,803.73		76,706.23	233,719.78	6,783,086.30
Decrease during the reporting period	2,620,144.63	608,340.70	2,550,307.45	2,803,574.54	3,272,226.35	11,854,593.67
(i) Disposal		579,038.47	2,550,307.45	2,803,267.99	3,272,226.35	9,204,840.26
(ii) Transfer to investment properties	2,552,103.52					2,552,103.52
(iii) Exchange differences on translating foreign operations	68,041.11	29,302.23		306.55		97,649.89
Balance as at 31 December 2025	224,612,441.18	99,430,144.65	9,210,286.57	41,030,839.31	37,107,493.45	411,391,205.16
Provision for impairment:						
Carrying amount:						
Balance as at 31 December 2025	285,201,428.00	41,544,351.60	136,740.02	11,858,820.42	4,612,658.11	343,353,998.15
Balance as at 31 December 2024	319,557,780.61	41,107,035.22	836,711.39	11,343,814.83	4,722,802.36	377,568,144.41

### (b) Fixed assets without certificate of title

Items	Carrying amount	Reason
Buildings and constructions	158,506.40	Defective property rights

### 5.11 Right-of-use Assets

Items	Buildings and constructions
Initial cost:	
Balance as at 31 December 2024	216,731,879.49
Increase during the reporting period	84,382,199.14
(i) New leasing	84,382,199.14
Decrease during the reporting period	111,855,194.44
(i) Disposal	111,855,194.44
Balance as at 31 December 2025	189,258,884.19
Accumulated depreciation:	
Balance as at 31 December 2024	118,293,903.08
Increase during the reporting period	102,678,424.23
(i) Provision	102,674,310.42
(ii) Exchange differences on translating foreign operations	4,113.81
Decrease during the reporting period	104,504,535.18
(i) Disposal	104,504,535.18
Balance as at 31 December 2025	116,467,792.13
Provision for impairment:	
Carrying amount:	
Balance as at 31 December 2025	72,791,092.06
Balance as at 31 December 2024	98,437,976.41

### 5.12 Intangible Assets

Items	Land use rights	Software	Right to use the trademark	Total
Initial cost:				
Balance as at 31 December 2024	34,933,822.40	38,764,216.56	16,605,353.16	90,303,392.12
Increase during the reporting period		3,159,520.88	24,661.22	3,184,182.10
(i) Acquisition		3,159,520.88		3,159,520.88
(ii) Exchange differences on translating foreign operations			24,661.22	24,661.22
Decrease during the reporting period				

Items	Land use rights	Software	Right to use the trademark	Total
(i) Disposal				
Balance as at 31 December 2025	34,933,822.40	41,923,737.44	16,630,014.38	93,487,574.22
Accumulated depreciation:				
Balance as at 31 December 2024	17,983,028.58	30,442,053.39	10,310,382.99	58,735,464.96
Increase during the reporting period	733,553.29	2,278,135.68	19,676.25	3,031,365.22
(i) Provision	733,553.29	2,278,135.68	19,676.25	3,031,365.22
Decrease during the reporting period				
Balance as at 31 December 2025	18,716,581.87	32,720,189.07	10,330,059.24	61,766,830.18
Provision for impairment:				
Carrying amount:				
Balance as at 31 December 2025	16,217,240.53	9,203,548.37	6,299,955.14	31,720,744.04
Balance as at 31 December 2024	16,950,793.82	8,322,163.17	6,294,970.17	31,567,927.16

### 5.13 Long-term Deferred Expenses

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period		31 December 2025
			Amortisation	Other decrease	
Renovation expenses and counter fabrication expenses	107,493,262.36	35,661,123.29	64,812,808.67	2,109,876.49	76,231,700.49
Others	2,712,060.93	16,612,375.45	6,381,867.37		12,942,569.01
Total	110,205,323.29	52,273,498.74	71,194,676.04	2,109,876.49	89,174,269.50

### 5.14 Deferred Tax Assets and Deferred Tax Liabilities

#### (a) Deferred tax assets before offsetting

Items	31 December 2025		31 December 2024	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	123,393,575.15	28,379,525.24	108,844,748.49	25,235,985.22
Unrealised intragroup profit	73,681,954.31	17,864,553.33	65,606,873.01	16,083,716.18
Deductible losses	203,464,885.90	45,249,255.22	150,789,689.25	35,315,775.40
Equity Incentive			7,958,442.71	1,839,229.47

Items	31 December 2025		31 December 2024	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Lease liabilities	74,789,934.31	18,697,483.59	98,553,370.15	24,638,342.52
Others	5,030,696.54	1,248,681.80	11,064,124.31	2,766,031.08
Total	480,361,046.21	111,439,499.18	442,817,247.92	105,879,079.87

**(b) Deferred tax liabilities before offsetting**

Items	31 December 2025		31 December 2024	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
One-off deduction of fixed asset before Corporate income tax	27,169,935.68	4,075,490.34	27,444,135.67	4,116,620.35
Right-of-use asset	72,643,762.42	18,160,940.61	98,388,890.53	24,597,222.63
Total	99,813,698.10	22,236,430.95	125,833,026.20	28,713,842.98

**(c) Net balance of deferred tax liabilities and deferred tax assets after offsetting**

Items	Offset amount at 31 December 2025	Net balance after offsetting at 31 December 2025	Offset amount at 31 December 2024	Net balance after offsetting at 31 December 2024
Deferred tax assets	20,713,435.30	90,726,063.88	23,723,301.56	82,155,778.31
Deferred tax liabilities	20,713,435.30	1,522,995.65	23,723,301.56	4,990,541.42

**(d) Unrecognized deferred tax assets**

Items	31 December 2025	31 December 2024
Deductible temporary differences	11,868,777.70	3,466,155.48
Deductible losses		42,305,096.05
Total	11,868,777.70	45,771,251.53

**(e) Deductible losses not recognised as deferred tax assets will expire in the following periods:**

Year	31 December 2025	31 December 2024
2025		42,305,096.05

**5.15 Other Non-current Assets**

Items	31 December 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayment of long-term assets	5,757,347.81		5,757,347.81	3,792,253.84		3,792,253.84

### 5.16 Short-term Borrowings

Items	31 December 2025	31 December 2024
Credit loans		120,000,000.00
Bill discounting		3,957,187.86
Accrued interest payable		130,566.65
Total		124,087,754.51

### 5.17 Accounts Payable

Items	31 December 2025	31 December 2024
Payables for goods	94,791,440.02	114,881,141.96
Payables for project		651,779.61
Total	94,791,440.02	115,532,921.57

### 5.18 Receipts in advance

Items	31 December 2025	31 December 2024
Rental received in advance	11,368,005.63	11,783,796.49

### 5.19 Contract liabilities

Items	31 December 2025	31 December 2024
Advances for goods	16,450,934.50	12,605,722.95

### 5.20 Employee Benefits Payable

#### (a) Details of employee benefits payable

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Short-term employee benefits	79,250,553.06	450,414,443.54	462,096,745.60	67,568,251.00
Post-employment benefits-defined contribution plans	7,969,370.66	47,441,557.94	47,767,934.36	7,642,994.24
Termination benefits	5,040,229.42	19,323,749.66	19,516,006.50	4,847,972.58
Total	92,260,153.14	517,179,751.14	529,380,686.46	80,059,217.82

**(b) Short-term employee benefits**

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Salaries, bonuses, allowances and subsidies	78,062,428.74	398,887,603.98	410,386,830.23	66,563,202.49
Employee benefits	74,715.46	8,000,962.96	8,070,016.54	5,661.88
Social insurance	240,049.63	20,588,686.72	20,479,063.60	349,672.75
Including: Health insurance	239,971.31	18,571,955.93	18,462,332.81	349,594.43
Injury insurance	78.32	1,168,695.23	1,168,695.23	78.32
Birth insurance		848,035.56	848,035.56	
Housing accumulation fund	7,289.00	17,522,022.73	17,512,858.53	16,453.20
Labour union funds and employee education funds	866,070.23	5,415,167.15	5,647,976.70	633,260.68
Total	79,250,553.06	450,414,443.54	462,096,745.60	67,568,251.00

**(c) Defined contribution plans**

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Post-employment benefits:				
1. Basic endowment insurance	240,419.91	40,805,387.05	40,891,942.45	153,864.51
2. Unemployment insurance	384.04	1,635,860.84	1,636,118.61	126.27
3. Enterprise annuity	7,728,566.71	5,000,310.05	5,239,873.30	7,489,003.46
Total	7,969,370.66	47,441,557.94	47,767,934.36	7,642,994.24

**5.21 Taxes Payable**

Items	31 December 2025	31 December 2024
Value added tax (VAT)	24,404,139.24	33,699,458.80
Corporate income tax	12,878,070.87	11,535,771.24
Individual income tax	969,315.24	994,923.84
Urban maintenance and construction tax	453,029.07	1,359,840.26
Educational surcharge	316,181.96	972,536.24
Others	1,177,277.66	1,252,620.97
Total	40,198,014.04	49,815,151.35

**5.22 Other Payables****(a) Other payables by category**

Items	31 December 2025	31 December 2024
Dividend payable		2,785,293.14
Other payables	75,141,232.27	101,853,190.67
Total	75,141,232.27	104,638,483.81

**(b) Dividends payable**

Items	31 December 2025	31 December 2024
Dividends on ordinary shares		2,785,293.14

**(c) Other payables**

Items	31 December 2025	31 December 2024
Deposit, security deposit	28,070,048.35	31,563,500.48
Repurchase liability for restricted shares		12,815,556.81
Decoration expenses	3,524,465.97	3,978,759.28
Accrued expenses and others	43,546,717.95	53,495,374.10
Total	75,141,232.27	101,853,190.67

**5.23 Non-current Liabilities Maturing within One Year**

Items	31 December 2025	31 December 2024
Lease liabilities due within one year	57,044,492.54	63,538,231.06

**5.24 Other Current Liabilities**

Items	31 December 2025	31 December 2024
Tax payable-reclassification from credit balance of VAT Payable	2,392,725.11	1,529,468.07

**5.25 Lease liabilities**

Items	31 December 2025	31 December 2024
Lease payments	76,851,971.25	101,263,377.23
Less: Unrealised finance expenses	1,915,088.40	2,659,854.13
Subtotal	74,936,882.85	98,603,523.10
Less: lease liabilities due within one year	57,044,492.54	63,538,231.06
Total	17,892,390.31	35,065,292.04

**5.26 Share Capital**

Items	31 December 2024	Changes during the reporting period (+,-)				31 December 2025
		New issues	Bonus issues	Capitalisation of reserves	Others	
Number of total shares	405,764,007.00					405,764,007.00

### 5.27 Capital Reserves

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Share premium	912,742,221.49	8,861,512.48		921,603,733.97
Other capital reserves	23,597,282.11		9,591,764.14	14,005,517.97
Total	936,339,503.60	8,861,512.48	9,591,764.14	935,609,251.94

Notes:

(i) According to the resolution approved by the Company's Board of Directors and the General Meeting of Shareholders on the Proposal for the Achievement of the Conditions for Lifting of Restrictions in the Third Restriction Lifting Period under the 2018 A-Share Restricted Stock Incentive Plan (Phase II), the Company completed the procedures for lifting restrictions on 20.4742 million A-share restricted shares that satisfied the conditions for lifting restrictions during the year 2025. The capital reserve of RMB 8,861,512.48 corresponding to the restricted shares of the aforementioned incentive recipients was transferred from “Other capital reserves” to “Share premium”.

(ii) The difference between the current year's income tax pre-tax deduction amount and the relevant costs and expenses recognized during the waiting period, arising from the difference between the fair value at the time of unlocking the restricted shares and the grant price at the time of grant, resulted in an income tax effect, which accordingly decreased “Other capital reserves” by RMB 730,251.66.

### 5.28 Treasury Stock

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Share Repurchase for Capital Reduction	64,340,669.42		64,340,669.42	
Restricted Stock Payment	14,304,862.81		1,489,306.00	12,815,556.81
Total	78,645,532.23		65,829,975.42	12,815,556.81

Note:

(i) As stated in Note 5.27.1 to these financial statements, for the restricted shares for which the repurchase obligations are no longer required as the unlocking conditions have been met, the corresponding repurchase obligations were derecognized, thereby reducing “Restricted Share Payment” by RMB 12,815,556.81.

**5.29 Other Comprehensive Income**

Items	31 December 2024	Changes during the reporting period						31 December 2025
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Items previously recognized in other comprehensive income being reclassified to retained earnings	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non- controlling interest	
(a) Items will not be reclassified to profit or loss								
(b) Items will be reclassified to profit or loss	15,686,794.62	7,978,422.75				7,978,422.75		23,665,217.37
Including: Exchange differences on translating foreign operations	15,686,794.62	7,978,422.75				7,978,422.75		23,665,217.37
Total	15,686,794.62	7,978,422.75				7,978,422.75		23,665,217.37

**5.30 Specific Reserves**

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Safety production costs	4,340,162.76	223,177.64	602,170.53	3,961,169.87

**5.31 Surplus Reserves**

Items	31 December 2024	Increase during the reporting period	Decrease during the reporting period	31 December 2025
Statutory surplus reserves	213,025,507.50			213,025,507.50
Others	61,984,894.00			61,984,894.00
Total	275,010,401.50			275,010,401.50

As of 31 December 2025, the Company's cumulative surplus reserve has reached 50% of its registered capital, and therefore, no further extraction will be made during current period.

**5.32 Retained Earnings**

Items	2025	2024
Balance as at the end of last period before adjustments	1,767,517,887.94	1,709,513,385.76
Adjustments for the opening balance (increase / (decrease))		
Balance as at the beginning of the reporting period after adjustments	1,767,517,887.94	1,709,513,385.76
Add: net profit attributable to owners of the parent company for the reporting period	87,317,829.63	220,350,184.99
Less: Declaration of ordinary share dividends	162,305,602.80	162,345,682.81
Balance as at the end of the reporting period	1,692,530,114.77	1,767,517,887.94

**5.33 Revenue and costs of sales**

Items	2025		2024	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	3,490,320,310.17	2,257,153,747.65	3,928,845,057.63	2,475,847,402.83
Other activities	18,167,601.23	4,977,286.11	11,685,876.44	350,531.60
Total	3,508,487,911.40	2,262,131,033.76	3,940,530,934.07	2,476,197,934.43

**Principal activities by category**

Items	2025		2024	
	Revenue	Costs of sales	Revenue	Costs of sales
Watch Brand Business	570,402,572.45	186,950,718.29	721,623,074.27	236,520,324.15
Watch Retail Services	2,662,429,068.19	1,901,757,507.69	2,934,683,059.47	2,080,768,868.69

Items	2025		2024	
	Revenue	Costs of sales	Revenue	Costs of sales
Precision Technology Business	143,992,442.15	126,544,822.35	134,469,811.50	115,312,826.08
Leasing Business	113,496,227.38	41,900,699.32	138,069,112.39	43,245,383.91
Others	18,167,601.23	4,977,286.11	11,685,876.44	350,531.60
Total	3,508,487,911.40	2,262,131,033.76	3,940,530,934.07	2,476,197,934.43

### 5.34 Taxes and Surcharges

Items	2025	2024
Urban maintenance and construction tax	10,668,474.38	10,496,860.12
Educational surcharge	7,526,202.94	7,450,711.80
Property tax	7,523,043.74	7,672,948.68
Stamp duty	2,302,823.44	2,638,753.37
Others	3,015,326.28	3,217,860.83
Total	31,035,870.78	31,477,134.80

### 5.35 Selling and Distribution Expenses

Items	2025	2024
Employee Compensation	286,763,707.41	350,108,585.64
Department store expense and rental	143,592,007.22	141,659,138.17
Advertising, Exhibition, and Marketing Expenses	129,933,752.03	143,251,551.40
Depreciation and amortization	168,982,088.02	187,804,323.98
Utilities and property management expenses	20,547,402.94	22,259,318.73
Packaging expenses	6,429,475.59	8,732,106.49
Office Expenses	4,172,341.49	5,299,644.22
Transportation Expenses	4,133,136.45	5,326,216.64
Travel Expenses	3,261,011.00	6,511,503.28
Business Entertainment Expenses	1,379,425.70	3,354,425.04
Others	11,868,035.89	8,470,993.04
Total	781,062,383.74	882,777,806.63

### 5.36 General and Administrative Expenses

Items	2025	2024
Employee Compensation	139,683,676.61	141,263,743.91

Items	2025	2024
Depreciation and amortization	20,859,869.65	21,858,646.45
Office Expenses	2,697,248.05	3,237,040.25
Intermediary Agents fees	2,043,134.60	2,072,802.52
Travel Expenses	1,551,295.98	3,444,726.00
Vehicle and Transportation Expenses	1,067,770.55	1,184,673.02
Utilities, Property Management, and Rental Fees	882,800.69	1,050,016.25
Business Entertainment Expenses	401,441.02	854,422.68
Telecommunication expenses	206,918.14	329,077.20
Others	7,963,641.22	7,982,781.89
Total	177,357,796.51	183,277,930.17

### 5.37 Research and Development Expenses

Items	2025	2024
Employee Compensation	54,014,603.82	38,055,759.66
Sample and Material Costs	1,205,956.77	1,635,339.74
Depreciation and Amortization	5,099,464.51	4,783,178.84
Technical Cooperation Fees	2,836,648.30	3,704,971.76
Others	6,050,008.96	7,820,750.18
Total	69,206,682.36	56,000,000.18

### 5.38 Finance Costs

Items	2025	2024
Interest expenses	4,883,063.98	10,697,706.12
Less: Interest income	4,192,623.18	4,925,264.78
Net interest expenses	690,440.80	5,772,441.34
Net foreign exchange losses	-717,041.20	1,151,055.95
Bank charges and others	11,422,485.63	11,001,374.05
Total	11,395,885.23	17,924,871.34

### 5.39 Other Income

Items	2025	2024
1. Government grant recognised in other income	3,071,440.45	5,480,540.76
Including: Government grant related to deferred income		952,785.69
Government grant directly recognised in current	3,071,440.45	4,527,755.07

Items	2025	2024
profit or loss		
2. Others related to daily operation activities and recognised in other income	2,651,457.63	2,012,101.57
Including: Charges of withholding individual income tax	472,676.89	477,697.33
Additional Deduction for Input VAT	2,178,780.74	1,534,404.24
Total	5,722,898.08	7,492,642.33

#### 5.40 Investment Income/(Losses)

Items	2025	2024
Investment income from long-term equity investments under equity method	-4,324,269.84	-955,570.46
Interest income from term deposit	437,789.65	524,315.57
Total	-3,886,480.19	-431,254.89

#### 5.41 Credit Impairment Losses

Items	2025	2024
Bad debt of notes receivable	551,340.79	-659,008.68
Bad debt of accounts receivable	-887,347.19	916,474.82
Bad debt of other receivables	-2,726,490.14	9,019.82
Total	-3,062,496.54	266,485.96

#### 5.42 Asset Impairment Losses

Items	2025	2024
Impairment of inventories	-53,936,941.10	-19,289,865.31

#### 5.43 Gains/ (losses) from Disposal of Assets

Items	2025	2024
Gains/(losses) from disposal of fixed assets	-279,011.13	2,795,633.25
Gains/(losses) from disposal of Right-of-use assets	-954,954.96	-427,816.65
Total	-1,233,966.09	2,367,816.60

#### 5.44 Non-operating Income

Items	2025	2024	Recognised in current non-recurring profit or loss
No payables required	125,708.82	1,217,512.88	125,708.82
Compensation income	1,797,356.05	1,916,585.22	1,797,356.05

Items	2025	2024	Recognised in current non-recurring profit or loss
Others	199,641.35	489,407.21	199,641.35
Total	2,122,706.22	3,623,505.31	2,122,706.22

#### 5.45 Non-operating Expenses

Items	2025	2024	Recognised in current non-recurring profit or loss
Donations	115,080.00	243,626.35	115,080.00
Fine and penalty for late payment	1,330,662.34	143,706.74	1,330,662.34
Payment for breach of agreement	90,666.43	279,932.96	90,666.43
Others	383,732.91	121,651.88	383,732.91
Total	1,920,141.68	788,917.93	1,920,141.68

#### 5.46 Income Tax Expenses

##### (a) Details of income tax expenses

Items	2025	2024
Current tax expenses	45,203,294.78	67,911,869.72
Deferred tax expenses	-12,417,286.69	-2,146,386.12
Total	32,786,008.09	65,765,483.60

##### (b) Reconciliation of accounting profit and income tax expenses

Items	2025	2024
Profit before tax	120,103,837.72	286,115,668.59
Income tax expense at the statutory /applicable tax rate	30,025,959.43	71,528,917.15
Effect of different tax rate of subsidiaries	-1,147,998.02	-2,574,951.45
Adjustments of impact from prior period income tax	7,288,200.26	440,345.72
Effect of income that is exempt from taxation	1,081,067.46	238,892.62
Effect of non-deductible costs, expenses or losses	1,900,231.98	1,160,439.96
Effect of previously unrecognised deductible losses recognised as deferred tax assets	-163,165.84	-172,422.26
Effect of deductible temporary differences and deductible losses not recognised as deferred tax assets		
R&D expenses plus deduction	-6,198,287.18	-4,855,738.14
Others		
Income tax expenses	32,786,008.09	65,765,483.60

### 5.47 Other Comprehensive Income

For details of the other comprehensive income and related tax effect, transfer to profit or loss and adjustment of other comprehensive income, please refer to Note 5.29 Other Comprehensive Income.

### 5.48 Notes to the Statement of Cash Flow

#### (a) Cash relating to operating activities

##### (i) Other cash received relating to operating activities

Items	2025	2024
Security deposit	8,493,431.78	9,790,425.68
Government grants	3,543,246.91	4,922,856.45
Promotion expenses	6,268,215.19	12,351,768.55
Interest income	4,192,623.18	4,925,264.78
Return of petty cash	2,021,594.33	3,851,281.76
Others	12,736,500.64	13,783,494.72
Total	37,255,612.03	49,625,091.94

##### (ii) Other cash payments relating to operating activities

Items	2025	2024
Security deposit	9,573,911.71	8,953,141.58
Period expenses and others	301,031,362.89	321,439,889.86
Total	310,605,274.60	330,393,031.44

#### (b) Cash relating to investing activities

##### (i) Other cash received relating to investing activities

Items	2025	2024
Withdrawal of time deposits	185,690,609.60	201,839,677.57

##### (ii) Other cash payments relating to investing activities

Items	2025	2024
Purchase of time deposits	156,380,120.10	231,179,882.49

#### (c) Cash relating to financing activities

##### (i) Other cash payments relating to financing activities

Items	2025	2024
Payment for principal and interest of lease liabilities	103,960,778.17	115,962,403.46

Items	2025	2024
Payment for share buyback		794,690.45
Total	103,960,778.17	116,757,093.91

## (ii) Changes in liabilities arising from financing activities

Items	31 December 2024	Increase in the current period		Decrease in the current period		31 December 2025
		Changes in cash	Changes in non-cash	Changes in cash	Changes in non-cash	
Short-term borrowings	124,087,754.51	140,000,000.00		261,318,879.72	2,768,874.79	-
Dividend payables	2,785,293.14		162,305,602.80	165,090,895.94		-
Non-current liabilities maturing within one year	63,538,231.06		97,467,039.65	103,960,778.17		57,044,492.54
Lease liabilities	35,065,292.04		80,294,137.92		97,467,039.65	17,892,390.31
Total	225,476,570.75	140,000,000.00	340,066,780.37	530,370,553.83	100,235,914.44	74,936,882.85

**5.49 Supplementary Information to the Statement of Cash Flows****(a) Supplementary information to the statement of cash flows**

Supplementary information	2025	2024
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	87,317,829.63	220,350,184.99
Add: Provisions for impairment of assets	53,936,941.10	19,289,865.31
Impairment Loss of Credit	3,062,496.54	-266,485.96
Depreciation of fixed assets, Investment Properties ,oil and gas asset and productive biological assets	40,707,711.30	42,123,553.82
Depreciation of right-of-use assets	102,674,310.42	107,301,685.07
Amortisation of intangible assets	3,031,365.22	3,623,865.56
Amortisation of long-term deferred expenses	71,194,676.04	72,228,172.82
Losses /(gains) on disposal of fixed assets, intangible assets and other long-term assets	1,233,966.09	-2,367,816.60
Losses /(gains) on scrapping of fixed assets		
Losses /(gains) on changes in fair value		
Finance costs /(income)	4,883,063.98	10,697,706.12
Investment losses /(income)	3,886,480.19	431,254.89
Decreases /(increases) in deferred tax assets	-8,570,285.57	-1,928,006.85
Increases /(decreases) in deferred tax liabilities	-3,467,545.77	-218,379.27
Decreases /(increases) in inventories	226,906,877.55	114,705,609.37

Supplementary information	2025	2024
Decreases /(increases) in operating receivables	37,261,097.03	55,993,621.50
Increases /(decreases) in operating payables	-81,807,703.33	-106,350,875.18
Others	-378,992.89	1,117,004.70
Net cash flows from operating activities	541,872,287.53	536,730,960.29
(ii) Significant activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Assets under leases (other than leases under simplified method)		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	631,239,039.65	518,954,177.49
Less: Cash at the beginning of the reporting period	518,954,177.49	504,629,153.71
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	112,284,862.16	14,325,023.78

**(b) The components of cash and cash equivalents**

Items	31 December 2025	31 December 2024
(i) Cash	631,239,039.65	518,954,177.49
Including: Cash on hand	34,041.22	76,344.01
Cash in bank available for immediate use	627,225,875.81	516,822,193.38
Other monetary funds available for immediate use	3,979,122.62	2,055,640.10
(ii) Cash equivalents		
Including: Bond investments maturing within three months		
(iii) Cash and cash equivalents at the end of the reporting period	631,239,039.65	518,954,177.49
Including Restricted cash and cash equivalents for the Company and its subsidiaries	7,127,169.50	6,150,258.49

**(c) Presented as cash and cash equivalents despite restrictions in scope of application**

Items	2025	2024	Reason
Cash in bank	7,127,169.50	6,150,258.49	The Company's subsidiary, FIYTA Hong Kong, and its subsidiary, Montres Chouriet SA, hold funds in accounts located overseas. These funds are subject to restrictions on repatriation, but this does not affect their daily use.

## 5.50 Foreign Currency Monetary Items

### (a) Foreign currency monetary items at 31 December 2025:

Items	Carrying amount at foreign currency	Exchange rate	Carrying amount at RMB
Monetary funds			20,882,200.49
Including: USD	554,469.45	7.0288	3,897,254.87
EUR	238,872.98	8.2355	1,967,238.43
HKD	9,531,520.15	0.9032	8,608,869.00
CHF	724,080.69	8.8510	6,408,838.19
Accounts receivable			6,230,672.18
Including: USD	663,545.07	7.0288	4,663,925.59
EUR	62.71	8.2355	516.45
HKD	1,482,135.05	0.9032	1,338,664.38
CHF	25,710.74	8.8510	227,565.76
Other receivables			274,146.65
Including: HKD	25,605.60	0.9032	23,126.98
CHF	28,360.60	8.8510	251,019.67
Accounts payable			141,631.35
Including: HKD	156,810.62	0.9032	141,631.35
Other payables			878,305.57
Including: HKD	856,802.22	0.9032	773,863.77
CHF	11,800.00	8.8510	104,441.80

### (b) Overseas business entity

Please refer the Note 3.4, for the details of the main operating locations and functional currencies of significant overseas operating entities .

## 5.51 Leases

### (a) The Company as a lessee

Items	2025
Expenses for short-term lease under simplified method	6,106,487.48
Expenses for lease of low value asset (except for short-term lease) under simplified method	
Interest expense of lease liabilities	3,992,813.82
Variable lease payments not included in lease liabilities recognised in current profit or loss	83,819,371.16
Income from subleasing the right-of-use assets	

Items	2025
Cash outflows related to leases	193,886,636.81
Profit or loss in sale and leaseback transaction	

**(b) The Company as a lessor****(i) Operating lease****A. Lease income**

Items	2025
Lease income	113,496,227.38
Including: income related to variable lease payments not included in lease receivables	

**6. RESEARCH AND DEVELOPMENT EXPENDITURES**

Items	2025	2024
Employee Compensation	54,014,603.82	38,055,759.66
Sample and Material Costs	1,205,956.77	1,635,339.74
Depreciation and Amortization	5,099,464.51	4,783,178.84
Technical Cooperation Fees	2,836,648.30	3,704,971.76
Others	6,050,008.96	7,820,750.18
Total	69,206,682.36	56,000,000.18
Including: Expensed R&D expenditures	69,206,682.36	56,000,000.18
Capitalized R&D expenditures		

**7. INTERESTS IN OTHER ENTITIES****7.1 Interests in Subsidiaries****(a) Composition of corporate group**

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways of acquisition
				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	99.44	0.56	Incorporated or investment

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways of acquisition
				Direct	Indirect	
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) Limited	Hong Kong	Hong Kong	Commerce	100.00		Incorporated or investment
Montres Chouriet SA	Switzerland	Switzerland	Manufacturing		100.00	Business combination not under common control

## 7.2 Interests in Joint Arrangements or Associates

### (a) Insignificant associates

Company name	Principal place of business	Registered address	Nature of business	Proportion of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Shanghai Watch Co., Ltd.	Shanghai	Shanghai	Commerce	25%		Equity method

### (a) Main financial information of the insignificant associates

Items	31 December 2025/2025	31 December 2024/2024
Shanghai Watch Co., Ltd.		
Aggregate amount of the following items calculated at the proportion of shareholding ratio	46,436,556.86	50,907,036.84
—Net profit/(loss)		
—Other comprehensive income	-4,470,479.98	-955,570.46
—Total comprehensive income		

## 8. GOVERNMENT GRANTS

### 8.1 Government grants recognised in current profit or loss

Items presented in income statement	2025	2024
Other income	3,071,440.45	5,480,540.76

## 9. RISKS RELATED TO FINANCIAL INSTRUMENTS

Risks related to the financial instruments of the Company arise from the recognition of various financial assets and financial liabilities during its operation, including credit risk, liquidity risk and market risk.

Management of the Company is responsible for determining risk management objectives and policies related to financial instruments. Operational management is responsible for the daily risk management through functional departments (e.g. credit management department of the Company reviews each credit sale). Internal audit department is responsible for the daily supervision of implementation of the risk management policies and procedures, and report their findings to the audit committee in a timely manner.

Overall risk management objective of the Company is to establish risk management policies to minimize the risks without unduly affecting the competitiveness and resilience of the Company.

### 9.1 Credit Risk

Credit risk is the risk of one party of the financial instrument face to a financial loss because the other party of the financial instrument fails to fulfill its obligation. The credit risk of the Company is related to cash and equivalent, notes receivable, accounts receivables, other receivables and long-term receivables. Credit risk of these financial assets is derived from the counterparty's breach of contract. The maximum risk exposure is equal to the carrying amount of these financial instruments.

Cash and cash equivalent of the Company has lower credit risk, as they are mainly deposited in such financial institutions as commercial bank, of which the Company thinks with higher reputation and financial position.

For notes receivable, accounts receivable, accounts receivable financing and other receivables, the Company establishes related policies to control their credit risk exposure. The Company assesses credit capability of its customers and determines their credit terms based on their financial position, possibility of the guarantee from third party, credit record and other factors (such as current market status, etc.). The Company monitors its customers' credit record periodically, and for those customers with poor credit record, the Company will take measures such as written call, shortening or cancelling their credit terms so as to ensure the overall credit risk of the Company is controllable.

#### (i) Determination of significant increases in credit risk

The Company assesses at each reporting date as to whether the credit risk on financial

instruments has increased significantly since initial recognition. When the Company determines whether the credit risk has increased significantly since initial recognition, it considers based on reasonable and supportable information that is available without undue cost or effort, including quantitative and qualitative analysis of historical information, external credit ratings and forward-looking information. The Company determines the changes in the risk of a default occurring over the expected life of the financial instrument through comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on individual financial instrument or a group of financial instruments with the similar credit risk characteristics.

When met one or more of the following quantitative or qualitative criteria, the Company determines that the credit risk on financial instruments has increased significantly: the quantitative criteria applied mainly because as at the reporting date, the increase in the probability of default occurring over the lifetime is more than a certain percentage since the initial recognition; the qualitative criteria applied if the debtor has adverse changes in business and economic conditions, early warning list of customer, and etc.

(ii) Definition of credit-impaired financial assets

The criteria adopted by the Company for determination of credit impairment are consistent with internal credit risk management objectives of relevant financial instruments in considering both quantitative and qualitative indicators.

When the Company assesses whether the debtor has incurred the credit impairment, the main factors considered are as following: Significant financial difficulty of the issuer or the borrower; a breach of contract, e.g., default or past-due event; a lender having granted a concession to the borrower for economic or contractual reasons relating to the borrower's financial difficulty that the lender would not otherwise consider; the probability that the borrower will enter bankruptcy or other financial re-organisation; the disappearance of an active market for the financial asset because of financial difficulties of the issuer or the borrower; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(iii) The parameter of expected credit loss measurement

The company measures impairment provision for different assets with the expected credit loss of 12-month or the lifetime based on whether there has been a significant increase in credit risk or credit impairment has occurred. The key parameters for expected credit loss measurement include default probability, default loss rate and default risk exposure. The Company sets up the model of default probability, default loss rate and default risk exposure in considering the quantitative analysis of historical statistics (such as counterparties' ratings, guarantee method and collateral type, repayment method, etc.) and forward-looking information.

Relevant definitions are as following:

Default probability refers to the probability of the debtor will fail to discharge the repayment obligation over the next 12 months or the entire remaining lifetime;

Default loss rate refers to the Company's expectation of the loss degree of default risk exposure. The default loss rate varies depending on the type of counterparty, recourse method and priority, and the collateral. The default loss rate is the percentage of the risk exposure loss when default has occurred and it is calculated over the next 12 months or the entire lifetime;

The default risk exposure refers to the amount that the company should be repaid when default has occurred in the next 12 months or the entire lifetime. Both the assessment of significant increase in credit risk of forward-looking information and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Company identifies key economic indicators that have impact on the credit risk and expected credit losses for each business.

The maximum exposure to credit risk of the Company is the carrying amount of each financial asset in the statement of financial position. The Company does not provide any other guarantees that may expose the Company to credit risk.

For the accounts receivable of the Company, the amount of top 5 clients represents 26.91% of the total (31 December 2024: 22.77%).

## 9.2 Liquidity Risk

Liquidity risk is the risk of shortage of funds when fulfilling the obligation of settlement by delivering cash or other financial assets. The Company is responsible for the capital management of all of its subsidiaries, including short-term investment of cash surplus and dealing with forecasted cash demand by raising loans. The Company's policy is to monitor the demand for short-term and long-term floating capital and whether the requirement of loan contracts is satisfied so as to ensure to maintain adequate cash and cash equivalents.

As at 31 December 2025, the maturity profile of the Company's financial liabilities is as follows:

Unit: RMB 10,000

Items	31 December 2025			
	Within 1 year	1-2 years	2-3 years	Over 3 years
Short-term loans				
Accounts payable	9,479.14			
Other payables	7,514.12			
Non-current liabilities maturing within one year	5,704.45			
Lease liabilities		1,416.11	373.13	
Total	22,697.71	1,416.11	373.13	

(Continued)

Items	31 December 2024			
	Within 1 year	1-2 years	2-3 years	Over 3 years
Short-term loans	12,408.78			

Items	31 December 2024			
	Within 1 year	1-2 years	2-3 years	Over 3 years
Accounts payable	11,553.29			
Other payables	10,463.85			
Non-current liabilities maturing within one year	6,353.82			
Lease liabilities		2,851.41	655.12	
Total	40,779.74	2,851.41	655.12	

### 9.3 Market Risk

#### (a) Foreign currency risk

Except for the operations of the Company's subsidiaries located in Hong Kong and foreign countries are denominated and settled in HKD, USD, BPD, RMB and SGD, other main operations of the Company are settled in RMB.

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.

(i) Please refer to Note 5.50 Foreign Currency Monetary Items, for the details of the main foreign currency risk exposures of the Company's foreign currency assets and liabilities as at 31 December 2025.

(ii) Sensitivity analysis

As at 31 December 2025, if RMB appreciates or depreciates 5% against USD, while all other risk variables stay unchanged, net profit in current year of the Company will increase or decrease by RMB 131,840 (31 December 2024: RMB 394,100).

#### (b) Interest rate risk

Interest rate risk of the Company primarily arises from its long-term interest-bearing debts, such as long-term loans and bonds payables, etc. Financial liabilities with floating interest rate make the Company subject to cash flow interest rate risk, and financial liabilities with fixed interest rate make the Company subject to fair value interest rate risk. The Company determines the relative proportion of the fixed interest contracts and floating interest contracts based on the current market environment.

Finance department of the Company's headquarter monitors interest rate of the group continuously. Increase of the interest rate will result in the increase of the cost of new interest-bearing debts and the interest expense of the unpaid interest-bearing debts with floating rate, and subsequently lead to significant negative impact on the financial performance of the

Company. The management makes adjustment in accordance with the update market condition in a timely manner.

As at 31 December 2025, the company does not have any long-term interest-bearing debt.

## **10. FAIR VALUE DISCLOSURES**

### **10.1 Assets and Liabilities Measured at Fair Value at 31 December 2025**

As at 31 December 2025, the Company does not have financial instruments measured at fair value.

### **10.2 Fair Value of Financial Assets or Financial Liabilities which are not Measured at Fair Value**

Financial assets and financial liabilities not measured at fair value include: accounts receivable, short-term borrowings, accounts payable, long-term borrowings 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.

## **11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

Recognition of related parties: The Company has control or joint control of, or exercise significant influence over another party; or the Company and another party are controlled or jointly controlled by the same third party.

### **11.1 General Information of the Parent Company**

Name of the parent	Registered address	Nature of the business	Registered capital	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
CATIC Shenzhen Holdings Limited	Shenzhen	Commercial	116,616.20	40.17	40.17

#### **(a) Details of the parent company**

CATIC Shenzhen Holdings Limited is a subsidiary that 100.00% held, indirectly, by AVIC Innovation Holding Limited.

#### **(b) Ultimate controlling party of the Company is AVIC Innovation Holding Limited.**

### **11.2 General Information of Subsidiaries**

Details of the subsidiaries please refer to Notes 7 INTERESTS IN OTHER ENTITIES.

### **11.3 Associates of the Company**

Details of significant associates please refer to Notes 7 INTERESTS IN OTHER ENTITIES.

### **11.4 Other Related Parties of the Company**

Name	Relationship with the Company
Joint ventures of Aviation Industry Corporation of China and their subsidiaries (hereinafter referred to as "Joint ventures of AVIC and their subsidiaries")	The associate of the ultimate controlling party
Aviation Industry Corporation of China and its subsidiaries (hereinafter referred to as "AVIC and its subsidiaries")	Under the same control
The directors, managers, Chief Financial Officer (CFO), and Secretary to the Board of Directors (hereinafter referred to as "key management personnel").	Key management personnel

## 11.5 Related Party Transactions

### (a) Purchases or sales of goods, rendering or receiving of services

Purchases of goods, receiving of services:

Related parties	Nature of the transaction(s)	2025	2024
AVIC and its subsidiaries	Mall Expenses and Goods Procurement	14,257,917.38	16,376,625.49
Joint ventures of AVIC and their subsidiaries	Mall Expenses and Property Management Fees	10,798,465.69	11,542,080.81

Sales of goods and rendering of services:

Related parties	Nature of the transaction(s)	2025	2024
AVIC and its subsidiaries	Sales of goods and rendering of services	33,254,801.38	46,244,991.78
Joint ventures of AVIC and their subsidiaries	SSales of goods and Property Management Fees	2,837,063.87	2,917,960.60
Shanghai Watch Co., Ltd.	Sales of goods	3,695,244.27	

### (b) Leases

The Company as lessor:

The lessee	Type of assets	2025	2024
Joint ventures of AVIC and their subsidiaries	Buildings	45,714.32	1,666,400.02
AVIC and its subsidiaries	Buildings	281,999.98	1,637,357.56

The Company as lessee:

The lessor	Type of assets	2025			
		Variable lease payments not included in lease liabilities	Lease payment for current period	Interest expense of lease liabilities	Increase in right-of-use assets
Joint ventures of AVIC and their subsidiaries	Buildings	21,750.50	350,896.02	5,099.96	
AVIC and its	Buildings		129,523.85	5,108.57	44,363.60

The lessor	Type of assets	2025			
		Variable lease payments not included in lease liabilities	Lease payment for current period	Interest expense of lease liabilities	Increase in right-of-use assets
subsidiaries					

(Continued)

The lessor	Type of assets	2024			
		Variable lease payments not included in lease liabilities	Lease payment for current period	Interest expense of lease liabilities	Increase in right-of-use assets
Joint ventures of AVIC and their subsidiaries	Buildings	2,692.68	485,331.20	11,649.16	-100,148.57
AVIC and its subsidiaries	Buildings		162,868.56	1,894.34	-157,702.74

**(c) Key management personnel compensation**

Items	2025	2024
Key management personnel compensation	12,625,200.00	14,048,100.00

**(d) Other related party transactions**

The deposit balance of our company held at AVIC Finance Company as at 31 December 2025 amounted to RMB 552,559,173.96, of which the deposit interest received during the year totaled RMB 1,963,880.34.

**11.6 Receivables and Payables with Related Parties****(a) Receivables**

Items	Related parties	31 December 2025		31 December 2024	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Notes receivable	AVIC and its subsidiaries	200,546.78		508,273.49	
Accounts receivable	AVIC and its subsidiaries	5,142,670.67	530,714.66	2,894,425.51	281,416.75
Other receivables	AVIC and its subsidiaries	867,917.00	43,395.85	924,947.00	47,070.35
Other receivables	Joint ventures of AVIC and their subsidiaries	77,990.00	3,899.50	56,000.00	2,800.00

**(b) Payables**

Items	Related parties	31 December 2025	31 December 2024
Other payables	AVIC and its subsidiaries		358,280.00
Other payables	Joint ventures of AVIC and their subsidiaries	892,941.08	1,066,456.79
Accounts payable	AVIC and its subsidiaries	37,471.91	
Receipts in advance	AVIC and its subsidiaries	11,250.00	7,500.00

## 12. SHARE-BASED PAYMENTS

### 12.1 The Stock payment overall situation

Grant object category	Grant in the current period		Exercise in the current period		Unlocking in the current period		Failure in the current period	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
Some Directors, Senior Management & Core Backbone Staff					2,047,420.00	2,047,420.00		

### 12.2 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	28,874,466.74

## 13. COMMITMENTS AND CONTINGENCIES

### 13.1 Significant Commitments

As of the balance sheet date, the significant external commitments of the Company include lease contracts that have been signed and are in progress or are about to be executed, along with their financial impacts. For detailed information, please refer to Note 5.25 *Lease Liabilities* and Note 5.51 *Leases*.

Except for the commitments mentioned above, as of 31 December 2025, the Company has no other significant commitments that need to be disclosed.

### 13.2 Contingencies

As at 31 December 2025, the Company has no significant contingencies need to be disclosed.

## 14. EVENTS AFTER THE REPORTING PERIOD

## 14.1 Profit Distribution

The proposed profit or dividend distribution refers to the profit or dividend that has been reviewed, approved, and announced for payment.	In accordance with the resolutions at the 14 <sup>th</sup> Meeting of the 11 <sup>th</sup> Board of Directors held on 12 March 2026, the Company will distribute cash dividends of RMB 1.20 (tax included) per 10 share to all shareholders from the undistributed profits, based on the total number of shares eligible for profit distribution for the year end 31 December 2025. No stock dividends will be distributed, nor will there be any conversion of capital reserves into share capital.
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Note: The profit distribution plan above shall be implemented after being reviewed and approved by the general meeting of shareholders.

## 14.2 Others

(a) On 12 March 2026, upon the approval of the resolutions passed at the 14th Meeting of the 11th Board of Directors, the Company and its wholly-owned subsidiaries proposed to apply for credit facilities from banks and other financial institutions in 2026 through various methods including credit, guarantee, mortgage and pledge, with the outstanding balance of actual borrowings under such credit facilities not exceeding RMB 1.2 billion. The proposal for the total credit facilities from banks is still pending approval by the Company's shareholders' meeting.

(b) On 12 March 2026, upon the approval of the resolutions passed at the 14th Meeting of the 11th Board of Directors, the Company proposed to provide guarantees for its wholly-owned subsidiaries in 2026 in respect of credit facilities applied from banks and other financial institutions, with the amount not exceeding RMB 300 million. Such limit is included within the actual borrowing limit of RMB 1.2 billion under the credit facilities. The proposal for the aforementioned guarantee limit is still pending approval by the Company's shareholders' meeting.

As at 12 March 2026, the Company has no other events after the reporting period that require disclosure.

## 15. OTHER SIGNIFICANT MATTERS

### 15.1 Segment Information

The Company identifies operating segments according to its internal organization structure, management requirements and internal reporting systems. Then the reportable segments are to be determined based on the Company's operating segments:

- (a) its business activities are engaged to generate revenue and incur expenses;
- (b) its operating results are regularly reviewed by the Company's management to make decisions on resources allocation and performance assessment;
- (c) 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:

- (a) The segment income of the operating segment accounts for 10.00% or more of total income of all segments;
- (b) 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.

## 15.2 Others

As at 31 December 2025, the Company does not have other significant matters that require to disclose.

## 16. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 16.1 Accounts Receivable

#### (a) Accounts receivable by aging

Aging	31 December 2025	31 December 2024
Within one year	10,466,091.51	6,238,972.29
1-2 years	1,637,255.79	238,812.42
2-3 years		319.04
Subtotal	319.04	
Less: provision for bad debt	12,103,666.34	6,478,103.75
Total	2,120,455.62	1,846,113.37

#### (b) Accounts receivable by bad debt provision method

Category	31 December 2025				Carrying amount
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	2,303,565.35	19.03	1,970,570.09	85.54	332,995.26

Category	31 December 2025				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised by groups	9,800,100.99	80.97	149,885.53	1.53	9,650,215.46
Including: Group 1	4,632,024.39	38.27	149,885.53	3.24	4,482,138.86
Receivable from Related party in scope of consolidation	5,168,076.60	42.70			5,168,076.60
Total	12,103,666.34	100.00	2,120,455.62	17.52	9,983,210.72

(Continued)

Category	31 December 2024				
	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Provision for bad debt recognised individually	1,631,798.66	25.19	1,631,798.66	100.00	
Provision for bad debt recognised by groups	4,846,305.09	74.81	214,314.71	4.42	4,631,990.38
Including: Group 1	4,041,736.34	62.39	214,314.71	5.30	3,827,421.63
Receivable from Related party in scope of consolidation	804,568.75	12.42			804,568.75
Total	6,478,103.75	100.00	1,846,113.37	28.50	4,631,990.38

Detailed explanation of provision for bad debt:

(i) As at 31 December 2025, accounts receivable with bad debt provision recognised individually

Name	31 December 2025			
	Book balance	Provision for bad debt	Provision ratio (%)	Reason for provision
Other customers	2,303,565.35	1,970,570.09	85.54	Expected to be irrecoverable

(ii) As at 31 December 2025, accounts receivable with bad debt provision recognised by group 1

Aging	31 December 2025			31 December 2024		
	Accounts receivable	Provision for bad debt	Provision ratio (%)	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within one year	4,632,024.39	149,885.53	3.24	3,802,604.87	190,114.42	5.00
1-2 years				238,812.42	23,881.24	10.00
2-3 years				319.05	319.05	100.00
Total	4,632,024.39	149,885.53	3.24	4,041,736.34	214,314.71	5.30

**(c) Changes of provision for bad debt during the reporting period**

Category	31 December 2024	Changes during the reporting period				31 December 2025
		Provision	Recovery or reversal	Elimination or write-off	Others	
Provision for bad debt recognised individually	1,631,798.66	338,771.43				1,970,570.09
Provision for bad debt recognised by groups	214,314.71	-64,429.18				149,885.53
Including: Group 1	214,314.71	-64,429.18				149,885.53
Total	1,846,113.37	274,342.25				2,120,455.62

**(d) No accounts receivable written off during the reporting period****(e) Top five closing balances by entity**

Entity name	Balance of accounts receivable as at 31 December 2025	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt of accounts receivable
Total of the top five accounts receivable balances at the end of the period	9,623,667.20	1,268,165.48	79.51

**16.2 Other Receivables****(a) Other receivables by aging**

Aging	31 December 2025	31 December 2024
Within one year	545,738,870.53	659,558,728.69
1-2 years		14,177.51
2-3 years	13,056.63	9,531.90
Over 3 years	40,050.00	40,050.00
Subtotal	545,791,977.16	659,622,488.10
Less: provision for bad debt	40,702.83	56,619.62
Total	545,751,274.33	659,565,868.48

**(b) Other receivables by nature**

Nature	31 December 2025	31 December 2024
Related party in scope of consolidation	545,517,289.16	658,724,812.91
Deposit and guarantee receivable	61,809.82	119,550.00
Others	212,878.18	778,125.19
Subtotal	545,791,977.16	659,622,488.10
Less: provision for bad debt	40,702.83	56,619.62
Total	545,751,274.33	659,565,868.48

**(c) Other receivables by bad debt provision method**

A. As at 31 December 2025, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	545,791,977.16	40,702.83	545,751,274.33

As at 31 December 2025, provision for bad debt at stage 1:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually				
Provision for bad debt recognised by groups	545,791,977.16	0.01	40,702.83	545,751,274.33
Including: Deposit and guarantee receivable	61,809.82	65.80	40,673.05	21,136.77
Related party in scope of consolidation	545,517,289.16			545,517,289.16
Others	212,878.18	0.01	29.78	212,848.40
Total	545,791,977.16	0.01	40,702.83	545,751,274.33

B. As at 31 December 2024, provision for bad debt recognised based on three stages model

Stages	Book balance	Provision for bad debt	Carrying amount
Stage 1	659,622,488.10	56,619.62	659,565,868.48

As at 31 December 2024, provision for bad debt at stage 1:

Category	Book balance	Provision ratio (%)	Provision for bad debt	Carrying amount
Provision for bad debt recognised individually				
Provision for bad debt recognised by groups	659,622,488.10	0.01	56,619.62	659,565,868.48
Including: Deposit and guarantee receivable	119,550.00	36.83	44,025.00	75,525.00
Related party in scope of consolidation	658,724,812.91			658,724,812.91
Others	778,125.19	1.62	12,594.62	765,530.57
Total	659,622,488.10	0.01	56,619.62	659,565,868.48

Basis of provision for bad debt during the reporting period:

For details of recognition criteria and explanation for provision of bad debt by groups, please refer to Notes 3.11

**(d) Changes of provision for bad debt during the reporting period**

Category	31 December 2024	Changes during the reporting period				31 December 2025
		Provision	Recovery or reversal	Elimination or write-off	Others	
Provision for bad debt recognised by groups	56,619.62	-15,916.79				40,702.83

**(e) No other receivables written off during the reporting period****(f) Top five closing balances by entity**

Entity name	Nature of Amount	Balance as at 31 December 2025	Age of Amount	Percentage of Total Other Receivables at Period End (%)	Provision for Bad Debts
No. 1	Related party in scope of consolidation	427,402,059.90	Within 1 year	78.31	
No. 2	Related party in scope of consolidation	63,265,181.51	Within 1 year	11.59	
No. 3	Related party in scope of consolidation	28,923,820.90	Within 1 year	5.30	
No. 4	Related party in scope of consolidation	15,680,483.80	Within 1 year	2.87	
No. 5	Related party in scope of consolidation	6,000,000.00	Within 1 year	1.10	

**16.3 Long-term Equity Investments**

Items	31 December 2025			31 December 2024		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Subsidiaries	1,592,543,885.91		1,592,543,885.91	1,592,543,885.91		1,592,543,885.91
Associates	46,436,556.86		46,436,556.86	50,907,036.84		50,907,036.84
Total	1,638,980,442.77		1,638,980,442.77	1,643,450,922.75		1,643,450,922.75

**(a) Investments in subsidiaries**

Investees	31 December 2024		Changes during the period				31 December 2025	
	Book balance	Provision for impairment	Additional investment	Disposal of investment	Provision for impairment	Others	Book balance	Provision for impairment
ShenzhenHARMONYWorldWatchCenterCo.,Ltd.	609,891,973.62						609,891,973.62	
ShenzhenHarmonyE-	11,684,484.39						11,684,484.39	

Investees	31 December 2024		Changes during the period				31 December 2025	
	Book balance	Provision for impairment	Additional investment	Disposal of investment	Provision for impairment	Others	Book balance	Provision for impairment
commerceCo.,Ltd.								
ShenzhenFIYTA Precision TechnologyCo.,Ltd.	182,290,834.31						182,290,834.31	
ShenzhenFIYTA TechnologyDevelopmentCo.,Ltd.	51,160,141.67						51,160,141.67	
FIYTA(HongKong)Ltd.	137,737,520.00						137,737,520.00	
Temporal(Shenzhen)Co.,Ltd.	5,000,000.00						5,000,000.00	
FIYTASalesCo.,Ltd.	457,297,183.13						457,297,183.13	
LiaoningHengdarui Commercial&TradeCo.,Ltd.	36,867,843.96						36,867,843.96	
EmileChoureitTiming(Shenzhen)Ltd.	80,613,904.83						80,613,904.83	
HARMONYWorldWatch Center(Hainan)Co.,Ltd.	10,000,000.00						10,000,000.00	
ShenzhenXunhang PrecisionTechnologyCo.,Ltd.	10,000,000.00						10,000,000.00	
Total	1,592,543,885.91						1,592,543,885.91	

**(b) Investments in associates**

Investees	31 December 2024	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Shanghai Watch Co., Ltd.	50,907,036.84			-4,470,479.98		

(Continued)

Investees	Changes during the reporting period			31 December 2025	Provision for impairment at 31 December 2025
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Investees				46,436,556.86	

## 16.4 Revenue and Cost of Sales

Items	2025		2024	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	180,681,781.85	56,887,861.74	177,350,230.18	49,729,440.87
Other activities	3,858,500.75		3,524,696.56	
Total	184,540,282.60	56,887,861.74	180,874,926.74	49,729,440.87

## 16.5 Investment Income

Items	2025	2024
Investment income from long-term equity investments under equity method	288,278,232.76	198,000,000.00
Investment income from long-term equity investments under cost method	-955,570.46	-5,819,479.60
Total	287,322,662.30	192,180,520.40

## 17. SUPPLEMENTARY INFORMATION

### 17.1 Details of current non-recurring profit or loss

Items	2025
Gains /(losses) on disposal of non-current assets (including the written-off portion of provisions for asset impairment)	-1,233,966.09
Government grants (except for government grants which are closely related to the ordinary course of business of the Company, in compliance with national policies and regulations, granted in accordance with the determined standards; and influence the profit and loss on an ongoing basis) charged to gains or losses for the period	3,071,440.46
Non-financial business' s gains or losses from fair value change arising from financial assets and financial liabilities held and gains or losses from disposal of financial assets and financial liabilities, other than effective value protection hedges relating to the Company' s ordinary course of business	437,789.65
Reversal of provision for impairment of individually tested receivables	2,621,990.02
Other non-operating income/expenses except for items mentioned above	202,564.54
Other profit /(loss) items that meet the definition of non-recurring profit or loss	

Items	2025
Total non-recurring profit /(loss)	5,099,818.58
Less: Income tax effect	961,852.20
Net non-recurring profit /(loss)	4,137,966.38
Less: net non-recurring profit /(loss) attributable to non-controlling interest	
Net non-recurring profit /(loss) attributable to ordinary shareholders	4,137,966.38

## 17.2 Return on Net Assets and Earnings Per Share ('EPS')

### (a) 2025

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	2.60	0.2153	0.2152
Net profit attributable to ordinary shareholders after non-recurring profit or losses	2.48	0.2051	0.2050

### (b) 2024

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic	Diluted
Net profit attributable to ordinary shareholders	6.55	0.5385	0.5378
Net profit attributable to ordinary shareholders after non-recurring profit or losses	6.21	0.5100	0.5093

Name of the Company: **FIYTA Precision Technology Co., Ltd.**

Date: 12 March 2026



# 营业执照

(副本) (5-1)

统一社会信用代码

911101020854927874



扫描市场主体身份码  
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名称 容诚会计师事务所（特殊普通合伙）

类型 特殊普通合伙企业

执行事务合伙人 刘维、肖厚发

经营范围 一般项目：税务服务；企业管理咨询；软件开发；信息系统运行维护服务；计算机软硬件及辅助设备零售。（除依法须经批准的项目外，凭营业执照依法自主开展经营活动）许可项目：注册会计师业务；代理记账。（依法须经批准的项目，经相关部门批准后方可开展经营活动，具体经营项目以相关部门批准文件或许可证件为准）（不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

出资额 8700.5 万元

成立日期 2013 年 12 月 10 日

主要经营场所 北京市西城区阜成门外大街 22 号 1 幢 10 层 1001-1 至 1001-26

登记机关



2026 年 01 月 08 日

容诚会计师事务所(特殊普通合伙)

业务报告附件专用

市场主体应当于每年 1 月 1 日至 6 月 30 日通过  
国家企业信用信息公示系统报送公示年度报告。

国家企业信用信息公示系统网址：<http://www.gsxt.gov.cn>

国家市场监督管理总局监制



# 会计师事务所

# 执业证书



名称： 容诚会计师事务所(特殊普通合伙)  
 首席合伙人： 刘维  
 主任会计师：  
 经营场所： 北京市西城区阜成门外大街22号1幢1001-1至1001-26  
 组织形式： 特殊普通合伙  
 执业证书编号： 11010032  
 批准执业文号： 京财会许可[2013]0067号  
 批准执业日期： 2013年10月25日

证书序号：0022698

## 说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
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容诚会计师事务所(特殊普通合伙)  
业务报告附件专用



发证机关：北京市财政局

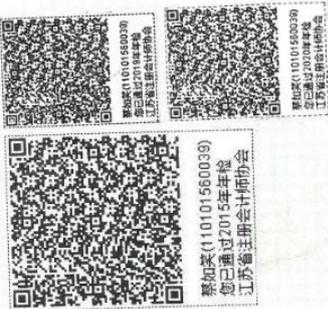
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2022



蔡如笑 110101560039

日 / d

6

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4月12日



同意调入  
Agree the holder to be transferred to



10



姓名 蔡如笑  
Full name  
性别 男  
Sex  
出生日期 1987-11-12  
Date of birth  
工作单位 致同会计师事务所(特殊普通合伙)南京分所  
Working unit  
身份证号码 321323198711123991  
Identity card No.



证书编号: 110101560039  
No. of Certificate

批准注册协会: 江苏省注册会计师协会  
Authorized Institute of CPAs

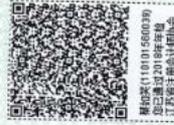
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Date of issuance

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江苏省注册会计师协会



蔡如笑(110101560039)  
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江苏省注册会计师协会



5

容诚会计师事务所(特殊普通合伙)  
注册税务师事务所(特殊普通合伙)  
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11



姓名 Full name 葛骅  
 性别 Sex 男  
 出生日期 Date of birth 1991-09-24  
 工作单位 Working unit 容诚会计师事务所(特殊普通合伙)厦门分所  
 身份证号码 Identity card No. 350204199109246555



容诚会计师事务所(特殊普通合伙)  
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证书编号: 110100320864  
No. of Certificate

批准注册协会: 福建省注册会计师协会  
Authorized Institute of CPAs

发证日期: 2022 年 01 月 27 日  
Date of Issuance /y /m /d

月 日  
m /d