FIYTA 飞亚达

# FIYTA Precision Technology Co., Ltd.

## 2025 Semi-annual

## Financial Report

## I. Audit report

Whether the semi-annual report has been audited
No

## II. Financial statements

The unit of the financial statements in the notes is RMB

### 1. Consolidated balance sheet

Prepared by: FIYTA Precision Technology Co., Ltd.
June 30, 2025

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Current assets: | | |
| Monetary funds | 539,306,933.97 | 518,954,177.49 |
| Balances with clearing companies | | |
| Loans to other banks and financial institutions | | |
| Financial assets held for trading | | |
| Derivative financial assets | | |
| Notes receivable | 13,890,956.79 | 29,611,600.60 |
| Accounts receivable | 295,552,172.33 | 260,152,834.43 |
| Receivable financing | | |
| Advances to suppliers | 24,636,188.41 | 3,858,053.60 |
| Premium receivable | | |
| Reinsurance accounts receivable | | |
| Provision of cession receivable | | |
| Other receivables | 56,382,345.03 | 56,982,351.27 |
| Including: interest receivable | | |
| Dividends receivable | | |
| Financial assets purchased under resale agreements | | |
| Inventories | 1,844,734,053.46 | 1,984,486,969.74 |
| Including: data resources | | |
| Contract assets | | |
| Assets held for sale | | |
| Non-current assets maturing within one year | | |
| Other current assets | 94,506,620.74 | 98,007,925.22 |
| Total current assets | 2,869,009,270.73 | 2,952,053,912.35 |
| Non-current assets: | | |
| Loans and advances | | |

| | | |
|---|---|---|
| Debt investments | | |
| Other debt investments | | |
| Long-term receivables | | |
| Long-term equity investments | 51,401,581.98 | 50,907,036.84 |
| Investments in other equity instruments | | |
| Other non-current financial assets | | |
| Investment properties | 294,173,788.77 | 301,002,364.41 |
| Fixed assets | 368,564,629.53 | 377,568,144.41 |
| Construction in progress | | |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right-of-use assets | 82,724,677.42 | 98,437,976.41 |
| Intangible assets | 30,819,121.76 | 31,567,927.16 |
| Including: data resources | | |
| Development expenses | | |
| Including: data resources | | |
| Goodwill | | |
| Long-term deferred expenses | 97,336,736.70 | 110,205,323.29 |
| Deferred tax assets | 77,387,311.98 | 82,155,778.31 |
| Other non-current assets | 7,269,265.12 | 3,792,253.84 |
| Total non-current assets | 1,009,677,113.26 | 1,055,636,804.67 |
| Total assets | 3,878,686,383.99 | 4,007,690,717.02 |
| Current liabilities: | | |
| Short-term borrowings | 140,084,055.54 | 124,087,754.51 |
| Borrowings from central bank | | |
| Loans from other banks and other financial institutions | | |
| Financial liabilities held for trading | | |
| Derivative financial liabilities | | |
| Notes payable | | |
| Accounts payable | 94,532,784.30 | 115,532,921.57 |
| Advances from customers | 7,813,681.37 | 11,783,796.49 |
| Contract liabilities | 15,914,217.86 | 12,605,722.95 |
| Financial assets sold under repurchase agreements | | |
| Absorption of deposits and interbank deposits | | |
| Receiving from vicariously traded securities | | |
| Receiving from vicariously sold securities | | |
| Employee remuneration payable | 61,957,407.90 | 92,260,153.14 |
| Taxes and surcharges payable | 46,730,334.76 | 49,815,151.35 |

| | | |
|---|---|---|
| Other payables | 89,287,084.19 | 104,638,483.81 |
| Including: interest payable | | |
| Dividends payable | | 2,785,293.14 |
| Handling charges and commissions payable | | |
| Reinsurance accounts payable | | |
| Liabilities held for sale | | |
| Non-current liabilities maturing within one year | 57,399,333.79 | 63,538,231.06 |
| Other current liabilities | 2,429,897.06 | 1,529,468.07 |
| Total current liabilities | 516,148,796.77 | 575,791,682.95 |
| Non-current liabilities: | | |
| Reserves for insurance contracts | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: preferred shares | | |
| Perpetual bond | | |
| Lease liability | 26,793,779.93 | 35,065,292.04 |
| Long-term payables | | |
| Long-term salary payable | | |
| Estimated liabilities | | |
| Deferred income | | |
| Deferred tax liabilities | 2,134,123.90 | 4,990,541.42 |
| Other non-current liabilities | | |
| Total non-current liabilities | 28,927,903.83 | 40,055,833.46 |
| Total liabilities | 545,076,700.60 | 615,847,516.41 |
| Owners' equity: | | |
| Share capital | 405,764,007.00 | 405,764,007.00 |
| Other equity instruments | | |
| Including: preferred shares | | |
| Perpetual bond | | |
| Capital reserves | 935,609,251.94 | 936,339,503.60 |
| Less: treasury stock | | 12,815,556.81 |
| Other comprehensive income | 25,279,285.71 | 15,686,794.62 |
| Special reserve | 4,288,952.07 | 4,340,162.76 |
| Surplus reserve | 275,010,401.50 | 275,010,401.50 |
| General risk reserves | | |
| Undistributed profit | 1,687,657,785.17 | 1,767,517,887.94 |
| Total equity attributable to owners of the parent company | 3,333,609,683.39 | 3,391,843,200.61 |
| Minority equity | | |
| Total owners’ equity | 3,333,609,683.39 | 3,391,843,200.61 |
| Total liabilities and owners' equity | 3,878,686,383.99 | 4,007,690,717.02 |

Legal Representative: Zhang Xuhua   CFO: Song Yaoming  Financial Manager: Jiang Haiming

## 2. Balance Sheet of parent company

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Current assets: | | |
| Monetary funds | 428,653,699.64 | 390,160,466.41 |
| Financial assets held for trading | | |
| Derivative financial assets | | |
| Notes receivable | | |
| Accounts receivable | 8,947,685.50 | 4,631,990.38 |
| 14. Receivable financing | | |
| Advances to suppliers | | |
| Other receivables | 519,456,909.65 | 659,565,868.48 |
| Including: interest receivable | | |
| Dividends receivable | | |
| Inventories | 46,562.24 | 45,565.43 |
| Including: data resources | | |
| Contract assets | | |
| Assets held for sale | | |
| Non-current assets maturing within one year | | |
| Other current assets | 15,643,323.47 | 16,189,136.04 |
| Total current assets | 972,748,180.50 | 1,070,593,026.74 |
| Non-current assets: | | |
| Debt investments | | |
| Other debt investments | | |
| Long-term receivables | | |
| Long-term equity investments | 1,643,945,467.89 | 1,643,450,922.75 |
| Investments in other equity instruments | | |
| Other non-current financial assets | | |
| Investment properties | 231,728,556.05 | 237,185,496.11 |
| Fixed assets | 236,827,051.71 | 241,791,004.56 |
| Construction in progress | | |
| Productive biological assets | | |
| 25. Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 23,771,012.63 | 24,189,360.11 |
| Including: data resources | | |
| Development expenses | | |
| Including: data resources | | |
| Goodwill | | |

| | | |
|---|---|---|
| Long-term deferred expenses | 4,162,035.50 | 3,692,497.29 |
| Deferred tax assets | 591,249.21 | 931,572.58 |
| Other non-current assets | 2,205,304.19 | 1,358,052.54 |
| Total non-current assets | 2,143,230,677.18 | 2,152,598,905.94 |
| Total assets | 3,115,978,857.68 | 3,223,191,932.68 |
| Current liabilities: | | |
| Short-term borrowings | 140,084,055.54 | 120,130,566.65 |
| Financial liabilities held for trading | | |
| Derivative financial liabilities | | |
| Notes payable | | |
| Accounts payable | 2,009,310.85 | 1,928,876.85 |
| Advances from customers | 7,813,681.37 | 11,783,796.49 |
| Contract liabilities | | |
| Employee remuneration payable | 17,162,723.30 | 23,190,240.79 |
| Taxes and surcharges payable | 3,361,240.53 | 779,783.47 |
| Other payables | 279,631,983.06 | 252,129,600.19 |
| Including: interest payable | | |
| Dividends payable | | 2,785,293.14 |
| Liabilities held for sale | | |
| Non-current liabilities maturing within one year | | |
| Other current liabilities | | |
| Total current liabilities | 450,062,994.65 | 409,942,864.44 |
| Non-current liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: preferred shares | | |
| Perpetual bond | | |
| Lease liability | | |
| Long-term payables | | |
| Long-term salary payable | | |
| Estimated liabilities | | |
| Deferred income | | |
| Deferred tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | | |
| Total liabilities | 450,062,994.65 | 409,942,864.44 |
| Owners' equity: | | |
| Share capital | 405,764,007.00 | 405,764,007.00 |
| Other equity instruments | | |
| Including: preferred shares | | |
| Perpetual bond | | |
| Capital reserves | 938,999,713.64 | 939,217,999.41 |
| Less: treasury stock | | 12,815,556.81 |
| Other comprehensive income | | |

| | | |
|---|---|---|
| Special reserve | | |
| Surplus reserve | 275,010,401.50 | 275,010,401.50 |
| Undistributed profit | 1,046,141,740.89 | 1,206,072,217.14 |
| Total owners' equity | 2,665,915,863.03 | 2,813,249,068.24 |
| Total liabilities and owners' equity | 3,115,978,857.68 | 3,223,191,932.68 |

Legal Representative: Zhang Xuhua CFO: Song Yaoming Financial Manager: Jiang Haiming

### 3. Consolidated income statement

Unit: yuan

| Item | Semi-annual 2025 | Semi-annual 2024 |
|---|---|---|
| I. Total operating revenue | 1,784,131,937.23 | 2,076,397,911.32 |
| Including: operating revenue | 1,784,131,937.23 | 2,076,397,911.32 |
| Interest income | | |
| Premiums earned | | |
| Income from handling charges and commissions: | | |
| II. Total operating costs | 1,686,829,306.89 | 1,892,890,643.96 |
| Including: operating costs | 1,149,808,611.57 | 1,304,482,455.55 |
| Interest expenditures | | |
| Handling charge and commission expenditures | | |
| Surrender value | | |
| Net amount of compensation payout | | |
| Net insurance liability reserves withdrawn | | |
| Policy dividend payment | | |
| Reinsurance costs | | |
| Taxes and surcharges | 15,513,201.04 | 12,260,457.55 |
| Selling expenses | 392,808,032.65 | 449,785,002.40 |
| Administrative expenses | 89,971,510.01 | 89,213,932.54 |
| Research and development expenses | 33,087,871.33 | 27,525,998.33 |
| Financial expenses | 5,640,080.29 | 9,622,797.59 |
| Including: interest expenses | 2,390,395.42 | 5,169,603.47 |
| Interest income | 1,870,950.85 | 2,185,535.51 |
| Plus: other income | 2,946,889.68 | 3,103,884.50 |
| Investment income ("-" for losses) | 742,044.98 | 313,834.17 |
| Including: income from investment in associates and joint ventures | 494,545.14 | 89,872.06 |
| Income from derecognition of financial asset measured at amortized cost | | |

| | | |
|---|---|---|
| Foreign exchange gains ("-" for losses) | | |
| Net exposure hedging income ("-" for losses) | | |
| Gains from changes in fair value ("-" for losses) | | |
| Credit impairment losses ("-" for losses) | 2,228,174.46 | 2,724,678.43 |
| Asset impairment losses ("-" for losses) | 1,780,567.39 | 28,336.82 |
| Asset disposal income ("-" for losses) | -424,407.32 | 2,906,210.67 |
| 3. Operating profits ("-" for losses) | 104,575,899.53 | 192,584,211.95 |
| Plus: non-operating revenue | 1,204,207.92 | 1,378,138.85 |
| Less: non-operating expenses | 219,441.69 | 278,833.35 |
| 4. Total profits ("-" for total losses) | 105,560,665.76 | 193,683,517.45 |
| Less: income tax expenses | 23,115,165.73 | 46,545,035.11 |
| 5. Net profits ("-" for net losses) | 82,445,500.03 | 147,138,482.34 |
| (I) Classified by operating sustainability | | |
| 1. Net profit from continuing operations ("-" for net losses) | 82,445,500.03 | 147,138,482.34 |
| 2. Net profit from discontinued operations ("-" for net losses) | | |
| (II) Classified by ownership | | |
| 1. Net profit attributable to shareholders of the parent company ("-" for net losses) | 82,445,500.03 | 147,138,482.34 |
| 2. Minority interest income ("-" for net losses) | | |
| VI. Other comprehensive income, net of tax | 9,592,491.09 | -5,577,527.76 |
| Net amount of other comprehensive income after tax attributable to owners of the parent company | 9,592,491.09 | -5,577,527.76 |
| (I) Other comprehensive income that cannot be reclassified into profit or loss later | | |
| 1. Changes in remeasurement of defined benefit plans | | |
| 2. Other comprehensive income that cannot be transferred to profit or loss under the equity method | | |
| 3. Changes in fair value of other equity instruments investment | | |
| 4. Changes in the fair value of the enterprise's own credit risk | | |
| 5. Others | | |
| (II) Other comprehensive income that will be reclassified into profit or loss | 9,592,491.09 | -5,577,527.76 |
| 1. Other comprehensive | | |

| | | |
|---|---|---|
| income that can be transferred to profit or loss under the equity method | | |
| 2. Changes in fair value of other creditor's right investment | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |
| 4. Provision for credit impairment of other creditor's rights investment | | |
| 5. Reserve for cash flow hedges | | |
| 6. Differences arising from translation of foreign-currency financial statements | 9,592,491.09 | -5,577,527.76 |
| 7. Others | | |
| Net of tax from other comprehensive income attributable to minority shareholders | | |
| VII. Total comprehensive income | 92,037,991.12 | 141,560,954.58 |
| Total comprehensive income attributable to owners of the parent company | 92,037,991.12 | 141,560,954.58 |
| Total comprehensive income attributable to minority shareholders | | |
| VIII. Earnings per share: | | |
| (I) Basic earnings per share | 0.2034 | 0.3568 |
| (II) Diluted earnings per share | 0.2034 | 0.3564 |

Legal Representative: Zhang Xuhua CFO: Song Yaoming Financial Manager: Jiang Haiming

### 4. Profit Statement of Parent Company

Unit: yuan

| Item | Semi-annual 2025 | Semi-annual 2024 |
|---|---|---|
| I. Operating revenue | 81,474,823.42 | 95,651,893.86 |
| Less: operating cost | 25,511,651.20 | 28,763,610.04 |
| Taxes and surcharges | 3,821,053.25 | 3,754,920.70 |
| Selling expenses | 17,415,912.81 | 13,488,147.65 |
| Administrative expenses | 27,948,465.95 | 27,338,182.18 |
| Research and development expenses | 6,543,258.58 | 6,949,411.52 |
| Financial expenses | -1,776,950.85 | -888,010.29 |
| Including: interest expenses | -54,463.04 | 305,742.86 |
| Interest income | 1,566,068.25 | 1,605,624.26 |
| Plus: other income | 818,743.58 | 194,361.73 |
| Investment income ("-" for losses) | 494,545.14 | 89,872.06 |
| Including: income from investment in associates and joint ventures | 494,545.14 | 89,872.06 |
| Gains from | | |

| | | |
|---|---|---|
| derecognition of financial assets measured at amortized cost ("-" for losses) | | |
| Net exposure hedging income ("-" for losses) | | |
| Gains from changes in fair value ("-" for losses) | | |
| Credit impairment losses ("-" for losses) | -462,263.85 | -520,369.57 |
| Asset impairment losses ("-" for losses) | | |
| Asset disposal income ("-" for losses) | | 2,920,369.62 |
| 2. Operating profits ("-" for losses) | 2,862,457.35 | 18,929,865.90 |
| Plus: non-operating revenue | 23,782.21 | 973.45 |
| Less: non-operating expenses | 6.18 | 334,515.20 |
| 3. Total profits ("-" for total losses) | 2,886,233.38 | 18,596,324.15 |
| Less: income tax expenses | 511,106.83 | 4,661,624.51 |
| 4. Net profits ("-" for net losses) | 2,375,126.55 | 13,934,699.64 |
| (1) Net profit from continuing operations ("-" for net losses) | 2,375,126.55 | 13,934,699.64 |
| (2) Net profit from discontinued operations ("-" for net losses) | | |
| V. Other comprehensive income, net of tax | | |
| (I) Other comprehensive income that cannot be reclassified into profit or loss later | | |
| 1. Changes in remeasurement of defined benefit plans | | |
| 2. Other comprehensive income that cannot be transferred to profit or loss under the equity method | | |
| 3. Changes in fair value of other equity instruments investment | | |
| 4. Changes in the fair value of the enterprise's own credit risk | | |
| 5. Others | | |
| (II) Other comprehensive income that will be reclassified into profit or loss | | |
| 1. Other comprehensive income that can be transferred to profit or loss under the equity method | | |
| 2. Changes in fair value of other creditor’s right investment | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |
| 4. Provision for credit impairment of other creditor's rights investment | | |
| 5. Reserve for cash flow hedges | | |

| | | |
|---|---|---|
| 6. Differences arising from translation of foreign-currency financial statements | | |
| 7. Others | | |
| VI. Total comprehensive income | 2,375,126.55 | 13,934,699.64 |
| VII. Earnings per share: | | |
| (I) Basic earnings per share | | |
| (II) Diluted earnings per share | | |

Legal Representative: Zhang Xuhua CFO: Song Yaoming Financial Manager: Jiang Haiming

## 5. Consolidated Cash Flow Statement

Unit: yuan

| Item | Semi-annual 2025 | Semi-annual 2024 |
|---|---|---|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 1,918,518,666.40 | 2,242,943,860.28 |
| Net increase in deposits from customers and deposits with banks and other financial institutions | | |
| Net increase in borrowings from central bank | | |
| Net increase in loans from other financial institutions | | |
| Cash received from receiving insurance premium of original insurance contract | | |
| Net cash received from reinsurance business | | |
| Net increase in deposits and investments from policyholders | | |
| Cash received from interests, handling charges and commissions | | |
| Net increase in loans from banks and other financial institutions | | |
| Net capital increase in repurchase business | | |
| Net cash received from vicariously traded securities | | |
| Refunds of taxes and surcharges | 765,302.02 | 1,361,806.68 |
| Cash from other operating activities | 20,316,713.59 | 22,763,002.95 |
| Sub-total of cash inflows from operating activities | 1,939,600,682.01 | 2,267,068,669.91 |
| Cash paid for purchase of goods or accepting services | 1,117,286,716.61 | 1,493,308,339.25 |
| Net increase in loans and advances to customers | | |
| Net increase in deposits with central bank and with banks and other financial institutions | | |

| | | |
|---|---|---|
| Cash paid for original insurance contract claims | | |
| Net increase in loans to banks and other financial institutions | | |
| Cash paid for interests, handling charges and commissions | | |
| Cash paid for policy dividends | | |
| Cash paid to and on behalf of employees | 295,806,175.23 | 336,053,098.67 |
| Cash paid for taxes and surcharges | 123,135,450.22 | 115,761,812.75 |
| Cash paid for other operating activities | 151,881,532.88 | 185,414,622.72 |
| Sub-total of cash outflows from operating activities | 1,688,109,874.94 | 2,130,537,873.39 |
| Net cash flows from operating activities | 251,490,807.07 | 136,530,796.52 |
| II. Cash flows from investing activities: | | |
| Cash received from disposal of investments | | |
| Cash received from investment income | 297,627.16 | 196,270.19 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 134,782.34 | 4,813,262.87 |
| Net cash from disposal of subsidiaries and other business units | | |
| Cash received from other investing activities | 104,282,319.06 | 120,049,969.61 |
| Subtotal of cash inflows from investing activities | 104,714,728.56 | 125,059,502.67 |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 33,910,801.03 | 43,613,301.74 |
| Cash paid for investments | | |
| Net increase in pledge loans | | |
| Net cash paid to acquire subsidiaries and other business units | | |
| Cash paid for other investing activities | 111,168,651.92 | 165,092,806.07 |
| Sub-total of cash outflows from investing activities | 145,079,452.95 | 208,706,107.81 |
| Net cash flows from the investing activities | -40,364,724.39 | -83,646,605.14 |
| III. Cash flows from financing activities: | | |
| Cash received from investors | | |
| Including: cash received by subsidiaries from investments of minority shareholders | | |
| Cash received from borrowings | 140,000,000.00 | 320,000,000.00 |
| Cash received from other financing activities | | |
| Subtotal of cash inflows from financing activities | 140,000,000.00 | 320,000,000.00 |

| | | |
|---|---|---|
| Cash paid for debt repayments | 120,000,000.00 | 250,000,000.00 |
| Cash paid for distribution of dividends and profits or payment of interests | 165,355,261.79 | 164,868,413.68 |
| Including: dividends and profit paid to minority shareholders by subsidiaries | | |
| Cash paid for other financing activities | 45,795,435.69 | 58,254,091.98 |
| Sub-total of cash outflows from financing activities | 331,150,697.48 | 473,122,505.66 |
| Net cash flows from financing activities | -191,150,697.48 | -153,122,505.66 |
| IV. Effect of fluctuation in exchange rate on cash and cash equivalents | 377,371.28 | -34,830.30 |
| V. Net increase in cash and cash equivalents | 20,352,756.48 | -100,273,144.58 |
| Plus: beginning balance of cash and cash equivalents | 518,954,177.49 | 504,629,153.71 |
| VI. Ending balance of cash and cash equivalents | 539,306,933.97 | 404,356,009.13 |

Legal Representative: Zhang Xuhua CFO: Song Yaoming Financial Manager: Jiang Haiming

### 6. Cash Flow Statement of Parent Company

Unit: yuan

| Item | Semi-annual 2025 | Semi-annual 2024 |
|---|---|---|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 79,872,428.27 | 92,269,424.38 |
| Refunds of taxes and surcharges | | |
| Cash from other operating activities | 1,750,398,006.10 | 1,967,128,778.52 |
| Sub-total of cash inflows from operating activities | 1,830,270,434.37 | 2,059,398,202.90 |
| Cash paid for purchase of goods or accepting services | 9,263,532.80 | 9,782,620.00 |
| Cash paid to and on behalf of employees | 40,073,696.79 | 44,398,658.47 |
| Cash paid for taxes and surcharges | 5,903,973.37 | 12,856,580.23 |
| Cash paid for other operating activities | 1,585,917,118.90 | 1,899,095,301.14 |
| Sub-total of cash outflows from operating activities | 1,641,158,321.86 | 1,966,133,159.84 |
| Net cash flows from operating activities | 189,112,112.51 | 93,265,043.06 |
| II. Cash flows from investing activities: | | |
| Cash received from disposal of investments | | |
| Cash received from investment income | | |
| Net cash received from disposal of | | 4,741,325.47 |

| | | |
|---|---|---|
| fixed assets, intangible assets and other long-term assets | | |
| Net cash from disposal of subsidiaries and other business units | | |
| Cash received from other investing activities | | |
| Subtotal of cash inflows from investing activities | | 4,741,325.47 |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 5,249,498.62 | 1,946,698.06 |
| Cash paid for investments | | |
| Net cash paid to acquire subsidiaries and other business units | | |
| Cash paid for other investing activities | | |
| Sub-total of cash outflows from investing activities | 5,249,498.62 | 1,946,698.06 |
| Net cash flows from the investing activities | -5,249,498.62 | 2,794,627.41 |
| III. Cash flows from financing activities: | | |
| Cash received from investors | | |
| Cash received from borrowings | 140,000,000.00 | 320,000,000.00 |
| Cash received from other financing activities | | |
| Subtotal of cash inflows from financing activities | 140,000,000.00 | 320,000,000.00 |
| Cash paid for debt repayments | 120,000,000.00 | 250,000,000.00 |
| Cash paid for distribution of dividends and profits or payment of interests | 165,355,261.79 | 164,868,413.68 |
| Cash paid for other financing activities | | 79,409.91 |
| Sub-total of cash outflows from financing activities | 285,355,261.79 | 414,947,823.59 |
| Net cash flows from financing activities | -145,355,261.79 | -94,947,823.59 |
| IV. Effect of fluctuation in exchange rate on cash and cash equivalents | -14,118.87 | 10,273.00 |
| V. Net increase in cash and cash equivalents | 38,493,233.23 | 1,122,119.88 |
| Plus: beginning balance of cash and cash equivalents | 390,160,466.41 | 308,230,255.35 |
| VI. Ending balance of cash and cash equivalents | 428,653,699.64 | 309,352,375.23 |

Legal Representative: Zhang Xuhua CFO: Song Yaoming Financial Manager: Jiang Haiming

### 7. Consolidated Statement of Changes in Owner's Equity

Amount of the current period

Unit: yuan

| Item | Semi-annual 2025 | | |
|---|---|---|---|
| | Equity attributable to owners of the parent company | Min | Tot |

| | Share capital | Other equity instruments | | | Capital reserves | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | General risk reserves | Undistributed profit | Others | Sub-total | ority equity | al owners' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Preferred shares | Perpetual bond | Others | | | | | | | | | | | |
| I. Closing balance of the previous year | 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 |
| Plus: changes in accounting policies | | | | | | | | | | | | | | | |
| Correction of accounting errors in prior periods | | | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | | | |
| II. Balance as at the beginning of this year | 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 |
| 3. Changes in increase/decrease in the current period ("-" for decrease) | | | | | -730,251.66 | -12,815,556.81 | 9,592,491.09 | -51,210.69 | | | -79,860,102.77 | | -58,233,517.22 | | -58,233,517.22 |
| (I) Total comprehensive income | | | | | | | 9,592,491.09 | | | | 82,445,500.03 | | 92,037,991.12 | | 92,037,991.12 |
| (II) Capital contributed or reduced by owners | | | | | -730,251.66 | -12,815,556.81 | | | | | | | 12,085,305.15 | | 12,085,305.15 |
| 1. Common stock contributed by owners | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2. Capital invested by the holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owner’s 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. Withdrawal of surplus reserves | | | | | | | | | | | | | | | |
| 2. Withdrawal of general risk reserves | | | | | | | | | | | | | | | |
| 3. Profit distributed to owners (or shareholders) | | | | | | | | | | | -162,305,602.80 | | -162,305,602.80 | | -162,305,602.80 |
| 4. Others | | | | | | | | | | | | | | | |
| (IV) Internal carry-forward of owners' equity | | | | | | | | | | | | | | | |
| 1. Conversion of capital reserves into paid-in capital (or share capital) | | | | | | | | | | | | | | | |
| 2. Conversion of surplus reserves into paid-in | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| capital (or share capital) | | | | | | | | | | | | | | | |
| 3. Surplus reserves offsetting losses | | | | | | | | | | | | | | | |
| 4. Forwarding of retained gains from changes in remeasurement of defined benefit plans | | | | | | | | | | | | | | | |
| 5. Transfer of other comprehensive income into retained earnings | | | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | -51,210.69 | | | | | -51,210.69 | | -51,210.69 |
| 1. Withdrawal in this period | | | | | | | | 223,177.64 | | | | | 223,177.64 | | 223,177.64 |
| 2. Amount used in this period | | | | | | | | -274,388.33 | | | | | -274,388.33 | | -274,388.33 |
| (VI) Others | | | | | | | | | | | | | | | |
| IV. Balance as at the end of this period | 405,764,007.00 | | | | 935,609,251.94 | | 25,279,285.71 | 4,288,952.07 | 275,010,401.50 | | 1,687,657,785.17 | | 3,333,609,683.39 | | 3,333,609,683.39 |

Amount in the previous year

Unit: yuan

| Item | Semi-annual 2024 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | | Minority equity | Total owners' equi |
| | Share capital | Other equity instruments | | | Capital reserv | Less: treasury | Other compre | Special reserv | Surplus reserv | General risk res | Undistributed | Others | Sub-total | | |
| | | Preferre | Perpet | Oth | | | | | | | | | | | |

| | | d shares | ual bond | ers | es | stock | hensive income | e | e | erves | profit | | | | ty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I. Closing balance of the previous year | 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 |
| Plus: changes in accounting policies | | | | | | | | | | | | | | | |
| Correction of accounting errors in prior periods | | | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | | | |
| II. Balance as at the beginning of this year | 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 |
| 3. Changes in increase/decrease in the current period ("-" for decrease) | -9,355,763.00 | | | | -54,078,839.21 | -65,199,717.42 | -5,577,527.76 | 541,857.36 | | | -15,207,200.47 | | -18,477,755.66 | | -18,477,755.66 |
| (I) Total comprehensive income | | | | | | | -5,577,527.76 | | | | 147,138,482.34 | | 141,560,954.58 | | 141,560,954.58 |
| (II) Capital contributed or reduced by owners | -9,355,763.00 | | | | -54,078,839.21 | -65,199,717.42 | | | | | | | 1,765,115.21 | | 1,765,115.21 |
| 1. Common stock contributed by owners | -9,355,763.00 | | | | -54,984,906.42 | -64,340,669.42 | | | | | | | | | |
| 2. Capital invested by the holders | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| of other equity instruments | | | | | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owner’s equity | | | | | 906,067.21 | -859,048.00 | | | | | | | 1,765,115.21 | | 1,765,115.21 |
| 4. Others | | | | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | -162,345,682.81 | | -162,345,682.81 | | -162,345,682.81 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | | | | |
| 2. Withdrawal of general risk reserves | | | | | | | | | | | | | | | |
| 3. Profit distributed to owners (or shareholders) | | | | | | | | | | | -162,345,682.81 | | -162,345,682.81 | | -162,345,682.81 |
| 4. Others | | | | | | | | | | | | | | | |
| (IV) Internal carry-forward of owners' equity | | | | | | | | | | | | | | | |
| 1. Conversion of capital reserves into paid-in capital (or share capital) | | | | | | | | | | | | | | | |
| 2. Conversion of surplus reserves into paid-in capital (or share capital) | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3. Surplus reserves offsetting losses | | | | | | | | | | | | | | | |
| 4. Forwarding of retained gains from changes in remeasurement of defined benefit plans | | | | | | | | | | | | | | | |
| 5. Transfer of other comprehensive income into retained earnings | | | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | 541,857.36 | | | | | 541,857.36 | | 541,857.36 |
| 1. Withdrawal in this period | | | | | | | | 760,556.40 | | | | | 760,556.40 | | 760,556.40 |
| 2. Amount used in this period | | | | | | | | -218,699.04 | | | | | -218,699.04 | | -218,699.04 |
| (VI) Others | | | | | | | | | | | | | | | |
| IV. Balance as at the end of this period | 405,864,207.00 | | | | 936,080,193.96 | 13,445,814.81 | 13,747,808.17 | 3,765,015.42 | 275,010,401.50 | | 1,694,306,185.29 | | 3,315,327,996.53 | | 3,315,327,996.53 |

Legal Representative: Zhang Xuhua CFO: Song Yaoming Financial Manager: Jiang Haiming

## 8. Variation of equity attributable to owners of the parent company

Amount of the current period

Unit: yuan

| Item | Semi-annual 2025 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instruments | | | Capital reserves | Less: treasury stock | Other comprehensive | Special reserve | Surplus reserve | Undistributed profit | Others | Total owners' equity |
| | | Prefe | Perpe | Other | | | | | | | | |

| | | rred shares | tual bond | s | | | income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I. Closing balance of the previous year | 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 |
| Plus: changes in accounting policies | | | | | | | | | | | | |
| Correction of accounting errors in prior periods | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| II. Balance as at the beginning of this year | 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 |
| 3. Changes in increase/decrease in the current period ("-" for decrease) | | | | | -218,285.77 | -12,815,556.81 | | | | -159,930,476.25 | | -147,333,205.21 |
| (I) Total comprehensive income | | | | | | | | | | 2,375,126.55 | | 2,375,126.55 |
| (II) Capital contributed or reduced by owners | | | | | -218,285.77 | -12,815,556.81 | | | | | | 12,597,271.04 |
| 1. Common stock contributed by owners | | | | | | | | | | | | |
| 2. Capital invested by the holders of other equity instruments | | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owner's | | | | | -218,285.77 | -12,815,556.81 | | | | | | 12,597,271.04 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| equity | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | -162,305,602.80 | | -162,305,602.80 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Profit distributed to owners (or shareholders) | | | | | | | | | | -162,305,602.80 | | -162,305,602.80 |
| 3. Others | | | | | | | | | | | | |
| (IV) Internal carry-forward of owners' equity | | | | | | | | | | | | |
| 1. Conversion of capital reserves into paid-in capital (or share capital) | | | | | | | | | | | | |
| 2. Conversion of surplus reserves into paid-in capital (or share capital) | | | | | | | | | | | | |
| 3. Surplus reserves offsetting losses | | | | | | | | | | | | |
| 4. Forwarding of retained gains from changes in remeasurement of defined benefit plans | | | | | | | | | | | | |
| 5. Transfer of other | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| comprehensive income into retained earnings | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | | |
| 1. Withdrawal in this period | | | | | | | | | | | | |
| 2. Amount used in this period | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | |
| IV. Balance as at the end of this period | 405,764,007.00 | | | | 938,999,713.64 | | | | 275,010,401.50 | 1,046,141,740.89 | | 2,665,915,863.03 |

Amount in the previous year

Unit: yuan

| Item | Semi-annual 2024 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instruments | | | Capital reserves | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserve | Undistributed profit | Others | Total owners' equity |
| | | Preferred shares | Perpetual bond | Others | | | | | | | | |
| I. Closing balance of the previous year | 415,219,970.00 | | | | 993,037,528.98 | 78,645,532.23 | | | 275,010,401.50 | 1,063,629,483.35 | | 2,668,251,851.60 |
| Plus: changes in accounting policies | | | | | | | | | | | | |
| Correction of accounting errors in prior periods | | | | | | | | | | | | |
| Others | | | | | | | | | | | | |
| II. Balance as at the beginning of this year | 415,219,970.00 | | | | 993,037,528.98 | 78,645,532.23 | | | 275,010,401.50 | 1,063,629,483.35 | | 2,668,251,851.60 |
| 3. Changes in | -9,355 | | | | -54,07 | -65,19 | | | | -148,4 | | -146,6 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| increase/decrease in the current period ("-" for decrease) | ,763.00 | | | | 8,839.21 | 9,717.42 | | | | 10,983.16 | | 45,867.95 |
| (I) Total comprehensive income | | | | | | | | | | 13,934,699.65 | | 13,934,699.65 |
| (II) Capital contributed or reduced by owners | -9,355,763.00 | | | | -54,078,839.21 | -65,199,717.42 | | | | | | 1,765,115.21 |
| 1. Common stock contributed by owners | -9,355,763.00 | | | | -54,984,906.42 | -64,340,669.42 | | | | | | |
| 2. Capital invested by the holders of other equity instruments | | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owner’s equity | | | | | 906,067.21 | -859,048.00 | | | | | | 1,765,115.21 |
| 4. Others | | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | -162,345,682.81 | | -162,345,682.81 |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | | |
| 2. Profit distributed to owners (or shareholders) | | | | | | | | | | -162,345,682.81 | | -162,345,682.81 |
| 3. Others | | | | | | | | | | | | |
| (IV) Internal carry-forward of owners' equity | | | | | | | | | | | | |
| 1. Conversion of capital | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| reserves into paid-in capital (or share capital) | | | | | | | | | | | | |
| 2. Conversion of surplus reserves into paid-in capital (or share capital) | | | | | | | | | | | | |
| 3. Surplus reserves offsetting losses | | | | | | | | | | | | |
| 4. Forwarding of retained gains from changes in remeasurement of defined benefit plans | | | | | | | | | | | | |
| 5. Transfer of other comprehensive income into retained earnings | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | | | |
| 1. Withdrawal in this period | | | | | | | | | | | | |
| 2. Amount used in this period | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | |
| IV. Balance as at the end of this period | 405,864,207.00 | | | | 938,958,689.77 | 13,445,814.81 | | | 275,010,401.50 | 915,218,500.19 | | 2,521,605,983.65 |

Legal Representative: Zhang Xuhua   CFO: Song Yaoming  Financial Manager: Jiang Haiming

## III. Company profile

**1. Company's registered location, organizational form, and headquarters address**

FIYTA Precision Technology Co., Ltd. (hereinafter referred to as the "Company") was restructured and established by "Shenzhen FIYTA Timing Industry Company" on December 25, 1992 with the approval of the SFBF [1992] No. 1259 Document of the General Office of the People's Government of Shenzhen Municipality by Shenzhen Industry and Trade Center of China Aviation Technology Import & Export (later renamed as "China Aviation Technology Shenzhen Co., Ltd.") as the initiator. The company was listed on the Shenzhen Stock Exchange on June 3, 1993, and now holds a business license with a unified social credit code of 91440300192189783K.

After the distribution of bonus shares, placement of new shares, capital stock conversion and further issue of new shares over the years, as of June 30, 2025, the company has issued a total of 405,764,007 shares, with a registered capital of RMB405,764,007. The registered address is FIYTA Technology Building, Gaoxin South 1st Road, Nanshan District, Shenzhen City, Guangdong Province. The headquarter address is FIYTA Technology Building, Gaoxin South 1st Road, Nanshan District, Shenzhen City, Guangdong Province. The parent company is Shentian Technology Holdings (Shenzhen) Co., Ltd., and the ultimate controlling party is Aviation Industry Corporation of China, LTD.

**2. Business nature and main operating activities of the company**

The business nature and main operating activities of the Company and its subsidiaries include: sales of clocks and watches; Manufacturing of clocks, watches and timekeeping instruments; Sales of clocks, watches and timekeeping instruments; Jewelry wholesale; Jewelry retail; Manufacturing of wearable smart devices; Sales of wearable smart devices; Leasing of non-residential real estate; Professional design services; Sales of household appliances; Satellite mobile communication terminal sales (except for projects that must be approved in accordance with the law, business activities shall be carried out independently in accordance with the law on the strength of the business license), etc.

**3. Scope of the consolidated financial statements**

There are 12 subsidiaries included in the scope of consolidation in the current period. See Note 10, Equity in other entities, for details. There is no change in the entities included in the scope of the consolidated financial statements for the current period compared to the previous period.

**4. Approval on the issuance of the financial statements**

These financial statements were approved for issuance by the resolution of the Company's Board of Directors on Aug. 22, 2025.

## IV. Basis of preparation for financial statements

### 1. Basis of preparation

The Company prepares its financial statements on a going concern basis, recognizing and measuring transactions and events based on their actual occurrence in accordance with the requirements of the Accounting Standards for Business Enterprises, their application guidelines, and interpretative notes. In addition, the Company discloses relevant financial information in compliance with the CSRC's Information Disclosure and Preparation Rules for Companies Publicly Offering Securities No. 15 – General Provisions on Financial Reports (Revised in 2023).

## 2. Going concern

The Company has assessed its going concern ability for the 12 months from the end of the reporting period and found no events that would affect such ability. Therefore, it is reasonable for the Company to prepare its financial statements on a going concern basis.

# V. Significant accounting policies and accounting estimates

Tips of specific accounting policies and accounting estimates:

1. The Company determines specific accounting policies and accounting estimates according to the characteristics of production and operation, mainly reflected in the method of expected credit loss of receivables (Notes V.12, Notes V.13, Notes V.15), the valuation method of inventories (Notes V.17), the depreciation of investment properties, fixed assets and intangible assets (Notes V.23, Notes V.24, Notes V.29), income (Notes V.37), etc.

2. The Company continuously evaluates the important accounting estimates and key assumptions adopted based on historical experience and other factors, including reasonable expectations of future events. The following significant accounting estimates and key assumptions, if subject to substantial changes, may have a significant impact on the carrying amounts of assets and liabilities in future accounting periods:

(1) Provision for bad debts of accounts receivable and other receivables is made according to the accounting standards. The provision for impairment of accounts receivable and other receivables should be estimated by describing the expected credit losses of accounts receivable and others receivable judged by the management. If any events or changes in circumstances indicate that the Company may not be able to recover the relevant balances, it is necessary to use estimates to accrue provisions for accounts receivable and other receivables. If the expected figure is different from the original estimate, the difference will affect the book value of accounts receivable and other receivables, as well as the impairment provision during the change in estimate.

(2) Estimation of inventory impairment. It shall describe that the inventories are measured at the lower of cost and net realizable value on the balance sheet date, and the calculation of net realizable value requires the use of assumptions and estimates. If management revises the estimated selling prices and the costs and expenses to be incurred upon completion, it will affect the estimated net realizable value of inventories. This difference will impact the provision for inventory write-downs.

(3) Estimation of impairment of long-term assets. It should be described that when the management judges whether there is impairment of long-term assets, it mainly evaluates and analyzes from the following aspects: (1) whether the events that affect the impairment of assets have occurred; (2) Whether the present value of the cash flows expected to be obtained due to the continuous use or disposal of the assets is lower than the book value of the assets; And (3) whether the important assumptions used in the present value of expected future cash flows are appropriate.

If the assumptions used by the company to determine impairment, such as profitability, discount rate, and growth rate assumptions in the present value method of future cash flows, change, this may significantly impact the present value used in impairment testing and result in the impairment of the company's long-term assets.

(4) Depreciation and amortization. The Company's estimates of the estimated useful life and estimated net residual value of the investment properties, fixed assets and intangible assets are based on the actual useful life and net residual value of the assets with similar nature and functions in the past. During the use of the assets, the economic environment, technological environment and other environments in which the assets are located may have a greater impact on the useful life and estimated net residual value of the assets. If there is any difference between the estimated useful life and net residual value of the assets and the original estimates, the management will make appropriate adjustments.

(5) Deferred tax assets Deferred tax assets should be recognized for all unused tax losses to the extent that it is probable that there will be sufficient taxable profits to offset the losses. This requires the management to use a lot of judgment to estimate the time and amount of future taxable profits, combined with tax planning strategies, to determine the amount of deferred tax assets that should be recognized.

(6) Income tax. It should be described in normal business activities, there are uncertainties in the final tax treatment of many transactions and matters. Significant judgments need to be made when accruing income tax. If there is a difference between the final recognized outcome for these taxes and the initial received amount, it will have an impact on the above-mentioned taxes in the final recognition period.

## 1. Statement of Compliance with Accounting Standard for Business Enterprises

The financial statement prepared by the Company meets the requirements of accounting standards for enterprises, and authentically and completely reflects financial status, business performance, cash flow and other relative information on the Company during the reporting period.

## 2. Accounting period

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

## 3. Operating cycle

The company's normal operating cycle is one year.

## 4. Functional currency

The Company and its domestic subsidiaries use RMB as its functional currency. FIYTA (HONG KONG) LIMITED, an overseas subsidiary of the Company, determines HKD as its functional currency according to the currency in the main economic environment in which it operates. Montres Chouriet SA, a subsidiary of FIYTA (HONG KONG) LIMITED, determines Swiss franc as its functional currency based on the currency in the main economy environment in which it operates, which is converted into RMB when preparing the financial statements. The currency adopted by the Company for the preparation of the financial statements is RMB.

## 5. Determination method and selection basis of materiality criteria

| Item | Importance criteria |
| --- | --- |
| Accounts receivable with significant amount reversed from provision for bad debts or recovered in the current period | Single ending balance of more than RMB1,000,000 |
| Significant other payable with an aging of over one year | Single ending balance of more than RMB1,000,000 |

## 6. Accounting treatment methods of business merger under the common control and not under the common control

### (1) Business combination under common control

The assets and liabilities acquired by the Company in a business combination are measured at the book value of the combined party in the consolidated financial statements of the ultimate controlling party as of the combination date.

For any differences in accounting policies adopted by the combined party and the Company prior to the business combination, the accounting policies are unified based on the materiality principle, i.e., the book values of the combined party's assets and liabilities are adjusted in accordance with the Company's accounting policies. If there is a difference between the book value of net assets acquired by the Company in the business combination and the book value of the consideration paid, the difference is first adjusted against capital surplus (capital premium or share premium). If the balance of capital surplus (capital premium or share premium) is insufficient to cover the difference, the remaining amount is charged against surplus reserve and undistributed profit in sequence.

**(2) Business combination not under common control**

The identifiable assets and liabilities of the acquiree acquired by the Company in a business combination are measured at their fair values as of the acquisition date. For any differences in accounting policies adopted by the acquiree and the Company prior to the business combination, the accounting policies are unified based on the materiality principle, i.e., the book values of the acquiree's assets and liabilities are adjusted in accordance with the Company's accounting policies. If the combination cost of the Company at the acquisition date exceeds the fair value of the identifiable assets and liabilities of the acquiree acquired in the business combination, the difference is recognized as goodwill; If the combined cost is less than the fair values of the identifiable assets and liabilities of the acquiree acquired in the business combination, the Company first reassesses the combined cost and the fair values of the identifiable assets and liabilities of the acquiree acquired in the business combination. After reassessment, if the combined cost is still less than the fair values of the identifiable assets and liabilities of the acquiree acquired, the difference is recognized as profit or loss for the current period of the combination.

**(3) Treatment of transaction costs in business combinations**

Intermediary expenses such as audit, legal services, evaluation and consultation and other related management expenses incurred for business combination are recognized in the current profit and loss upon occurrence. Transaction expenses on equity or debt securities issued as the combination consideration will be included in the initially recognized amount of equity or debt securities.

## 7. Control criteria and preparation method of consolidated financial statements

**(1) Judgment criteria for control and determination of consolidation scope**

Control means the power owned over the investee by the Company which enjoys the variable return through participating in activities related to the investee, and has the ability to affect the return by using the power over the investee. The definition of control includes three basic elements: first, the investor has power over the investee; second, the investor is exposed, or has rights, to variable returns from its involvement with the investee; third, the investor has the ability to use its power over the investee to affect the amount of its returns. When the Company's investment in an investee meets the above three elements, it indicates that the Company can control the investee.

The consolidation scope of the consolidated financial statements is determined on the basis of control, which includes not only subsidiaries identified based on voting rights (or similar voting rights) alone or in combination with other arrangements, but also structured entities determined based on one or more contractual arrangements.

A subsidiary refers to an entity controlled by the Company (including enterprises, separable parts of an invested entity, and structured entities controlled by the enterprise, etc.). A structured entity refers to an entity designed such that voting rights or similar rights are not the determining factor when identifying its controlling party (Note: sometimes also referred to as a special purpose entity).

**(2) Method of preparing consolidated financial statements**

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant information.

In preparing consolidated financial statements, the Company regards the whole enterprise group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the enterprise group according to the recognition, measurement and presentation requirements of relevant accounting standards for business enterprises and unified accounting policies and accounting period.

①Consolidate assets, liabilities, owner's equity, income, expenses, and cash flows of the parent company and subsidiaries.

②Offset the parent company's long-term equity investment in subsidiaries against the share of owner's equity enjoyed by the parent company in subsidiaries.

③ The influence of internal transactions between the parent company and its subsidiaries and between subsidiaries shall be offset. When internal trading indicates that related assets are impaired, they shall be fully recognized.

④Adjust special transaction matters from the perspective of the corporate group.

**(3) Special considerations in consolidation elimination**

①The long-term equity investment held by a subsidiary in the Company shall be treated as the Company's treasury stock, recognized as a deduction from owner's equity, and presented under the item "Less: Treasury stock" in the owner's equity section of the consolidated balance sheet.

For long-term equity investments held between subsidiaries, the method for eliminating the Company's equity investment in subsidiaries shall be applied by analogy, i.e., offsetting such long-term equity investments against the corresponding share of the subsidiary's owner's equity.

②Since the items "Special reserve" and "General risk reserve" neither belong to paid-in capital (or share capital) or capital surplus, nor are they the same as retained earnings or undistributed profit, after offsetting the long-term equity investment against the subsidiary's owner's equity, they shall be reinstated according to the share attributable to the parent company's owners.

③If temporary differences arise between the book values of assets and liabilities in the consolidated balance sheet and their tax bases in the respective tax entities due to the elimination of unrealized internal transaction profits and losses, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet, with a corresponding adjustment to income tax expense in the consolidated income statement, except for deferred taxes related to transactions or events directly recognized in owner's equity and business combinations.

④ Unrealized internal transaction profits and losses arising from the sale of assets by the Company to its subsidiaries shall be fully offset against "Net profit attributable to owners of the parent company". Unrealized internal transaction profits and losses arising from the sale of assets by a subsidiary to the Company shall be allocated and offset between "Net profit attributable to owners of the parent company" and "Minority interests" in proportion to the Company's ownership percentage in that subsidiary. Unrealized internal transaction profits and losses arising from the sale of assets between subsidiaries shall be allocated and offset between "Net profit attributable to owners of the parent company" and "Minority interests" in proportion to the Company's ownership percentage in the selling subsidiary.

⑤If the share of the current losses attributable to the minority shareholders of a subsidiary exceeds the share of the owners' equity attributable to minority shareholders of the subsidiary at the beginning of the period, the balance shall still be offset against the minority equity.

## 8. Classification of joint venture arrangements and accounting treatment of joint operations

A joint arrangement is an arrangement controlled jointly by two or more parties involved. Joint venture arrangements of the Company are classified into joint operation and joint venture.

**(1) Joint operation**

Joint operation refers to those joint venture arrangements under which the company is entitled to relevant assets and be responsible for relevant liabilities.

The Company recognizes the following items related to the share of interests in joint operation, and carries out accounting treatment in accordance with the relevant accounting standards for business enterprises:

①Recognize the assets held individually, and the assets held jointly based on their shares;

②Recognize the liabilities assumed individually, and the liabilities undertaken jointly based on their shares;

③Recognize the income generated from the sale of its share of joint operation output;

④Recognize the income generated from the sale of output in the joint operation based on their shares;

⑤Recognize the expenses incurred individually and the expenses incurred in joint operation based on their shares.

**(2) Joint venture**

Joint venture refers to the arrangement where the company has rights to the net assets of the arrangement.

The company accounts for investments in joint ventures according to the equity method of accounting for long-term equity investments.

## 9. Recognition criteria for cash and cash equivalents

Cash refers to a company's cash on hand and deposits available for immediate payment. Cash equivalent refers to the short-term (due within three months upon the purchase date) investment with strong liquidity that is easily convertible to known amounts of cash and subject to low value change risk.

## 10. Foreign currency transactions and conversion of foreign currency financial statements

**(1) Determination method of conversion rate for foreign currency transactions**

At the initial recognition of foreign currency transactions, the Company converts them into the functional currency using the spot exchange rate on the transaction date or an exchange rate that is determined through a systematic and reasonable method and approximates the spot exchange rate on the transaction date (hereinafter referred to as the approximate exchange rate).

**(2) Conversion method for foreign currency monetary items on the balance sheet date**

On the balance sheet date, foreign currency monetary items are converted using the spot exchange rate on the balance sheet date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at initial recognition or on the previous balance sheet date are included in the current profit or loss. For foreign currency non-monetary items measured at historical cost, they are still converted using the spot exchange rate on the transaction date; for foreign currency non-monetary items measured at fair value, they are converted using the spot exchange rate on the date when the fair value is determined. The difference between the converted functional currency amount and the original functional currency amount is recognized in the current profit or loss.

**(3) Translation method of foreign currency financial statements**

Before converting the financial statements of overseas operations, the accounting periods and policies of the overseas operations are adjusted to be consistent with those of the Company. Then, financial statements in the relevant currency (a currency other than the functional currency) are prepared based on the adjusted accounting policies and periods, and the financial statements of overseas operations are converted in accordance with the following methods:

①Assets and liabilities items in the balance sheet are converted using the spot exchange rate on the balance sheet date. For owner's equity items, except for the "Undistributed profit" item, other items are converted using the spot exchange rate on the date of occurrence.

② Income and expense items in the income statement are converted using the spot exchange rate on the transaction date or an approximate exchange rate.

③Foreign currency cash flows and cash flows of overseas subsidiaries are converted using the spot exchange rate on the cash flow occurrence date or the approximate exchange rate. The impact of exchange rate changes on cash shall be presented as a reconciliation item separately in the cash flow statement.

④The foreign currency financial statement conversion differences arising are presented separately as "Other comprehensive income" under the owner's equity items in the consolidated balance sheet when preparing consolidated financial statements.

When an overseas operation is disposed of and control is lost, the foreign currency statement conversion differences related to the overseas operation, which are presented under the owner's equity items in the balance sheet, are transferred in full or in proportion to the disposal of the overseas operation to the profit or loss of the current period of disposal.

## 11. Financial instruments

Financial instruments refer to contracts that form a financial asset of one party and a financial liability or equity instrument of another party.

**(1) Recognition and derecognition of financial instruments**

The relevant financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

A financial asset is derecognized if it meets one of the following conditions:

① The contractual right to receive cash flows from the financial asset has expired;

②The financial asset has been transferred and meets the derecognition conditions for the transfer of financial assets.

A financial liability (or part of it) is de-recognized when the present obligation is terminated. If the Company (debtor) enters into an agreement with the creditor to replace an original financial liability with a new financial liability and the terms of the new liability are substantially different from the original one, the original financial liability is de-recognized and the new financial liability is recognized at the same time. If the company makes a substantial modification to the contractual terms of an original financial liability (or part of it), the original financial liability should be derecognized, and a new financial liability should be recognized according to the modified terms.

The financial assets purchased and sold in regular way shall be subject to accounting recognition and derecognition on the trading date. Regular way to buy and sell financial assets refers to the delivery of financial assets according to the time schedule determined by regulations or market practices as stipulated in the contract terms. A trading day refers to the date on which the company commits to buying or selling financial assets.

**(2) Classification and measurement of financial assets**

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies upon initial recognition financial assets into financial assets measured at amortized cost, financial assets measured at fair value through current profit or loss, and financial assets measured at fair value through other comprehensive income. Unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model, financial assets shall not be reclassified after initial recognition.

Financial assets are measured at fair value at initial recognition. For financial assets measured at fair value with changes recognized in profit or loss, related transaction costs are directly recognized in profit or loss. For other categories of financial assets, related transaction costs are included in their initial recognition amount. Notes receivable and accounts receivable arising from the sale of goods or provision of services, which do not include or consider significant financing components, are initially measured at the transaction price defined by the revenue standard.

Subsequent measurement of financial assets depends on their classification:

① Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost if they meet the following conditions: the business model of the Company managing the financial assets is aimed at collecting contractual cash flows; The contractual terms of the financial asset stipulate that the cash flows generated on a specific date consist solely of payments of principal and interest based on the outstanding principal amount. For such financial assets, subsequent measurement is at amortized cost using the effective interest method. Gains or losses from derecognition, amortization using the effective interest method, or impairment are included in the current profit or loss.

②Financial assets measured at fair value with changes recognized in other comprehensive income

Financial assets are classified as measured at fair value through other comprehensive income if they meet the following conditions: the business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets; The contractual terms of the financial asset stipulate that the cash flows generated on a specific date consist solely of payments of principal and interest based on the outstanding principal amount. For such financial assets, subsequent measurement is at fair value. Except for impairment losses or gains and exchange gains or losses recognized in current profit or loss, changes in the fair value of such financial assets are recognized as other comprehensive income until derecognition, at which point cumulative gains or losses are transferred to current profit or loss. However, interest income from the financial asset calculated using the effective interest method is included in the current profit or loss.

The company irrevocably chooses to designate some non-trading equity instrument investments as financial assets measured at fair value with changes included in other comprehensive income, only including related dividend income in the current profit or loss. Fair value changes are recognized as other comprehensive income until the financial asset is derecognized, at which point cumulative gains or losses are transferred to retained earnings.

③Financial assets measured at fair value through current profit or loss

Financial assets except the above financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through current profit or loss. The financial assets are subsequently measured at fair value. All changes in fair value shall be included in current profit or loss.

**(3) Classification and measurement of financial liabilities**

The company classifies financial liabilities as financial liabilities measured at fair value with changes included in current profit or loss, loan commitments with below-market interest rates, financial guarantee contract liabilities, and financial liabilities measured at amortized cost.

Subsequent measurement of financial liabilities depends on their classification:

①Financial liabilities measured at fair value with changes recognized in profit or loss for the period

This category includes trading financial liabilities (including derivatives that are financial liabilities) and those designated as measured at fair value through profit or loss. After initial recognition, such financial liabilities are subsequently measured at fair value, with gains or losses (including interest expenses) included in the current profit or loss, except for those related to hedge accounting. For financial liabilities designated as measured at fair value with changes included in current profit or loss, changes in fair value of the financial liabilities due to the changes in the company's own credit risk are included in other comprehensive income. When the financial liabilities are derecognized, the cumulative gains and losses previously included in other comprehensive income should be transferred out of other comprehensive income and into retained earnings.

②Loan commitments and financial guarantee contract liabilities

A loan commitment is a commitment by the company to provide a loan to a customer under established contractual terms during the commitment period. Loan commitments are provided for impairment losses in accordance with the expected credit loss model.

A financial guarantee contract refers to an agreement that requires the company to compensate the contract holder for a specific amount if a particular debtor fails to repay the debt on the due date according to the original or modified terms of the debt instrument. Financial guarantee contract liabilities are subsequently measured at the higher of the loss allowance amount determined according to the impairment principles of financial instruments and the balance of the initial recognition amount minus the cumulative amortization amount determined according to the revenue recognition principles.

③ Financial liabilities measured at amortized cost

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

Except in special circumstances, financial liabilities and equity instruments are distinguished according to the following principles:

① If the company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the obligation meets the definition of a financial liability. Some financial instruments, although not explicitly containing terms and conditions that obligate the delivery of cash or other financial assets, may indirectly give rise to contractual obligations through other terms and conditions.

②If a financial instrument must or can be settled using the company's own equity instruments, it is necessary to consider whether the company's own equity instruments used for settlement are substitutes for cash or other financial assets, or to allow the holder of the instrument to enjoy residual equity in the issuer's assets after deducting all liabilities. If it is the former, the instrument is a financial liability of the issuer. If it is the latter, the instrument is an equity instrument of the issuer. In some cases, a financial instrument contract stipulates that the company must or can settle the financial instrument using its own equity instruments, where the amount of the contractual right or obligation equals the number of its own equity instruments to be acquired or delivered multiplied by their fair value at settlement. Regardless of whether the amount of the contractual right or obligation is fixed or varies completely or partially based on variables other than the market price of the company's own equity instruments (such as interest rates, the price of a commodity, or the price of a financial instrument), the contract is classified as a financial liability.

**(4) Derivative financial instruments and embedded derivatives**

Derivative financial instruments are initially measured at fair value on the date when the derivative transaction contract is entered into and subsequently measured at fair value. Derivative financial instruments with a positive fair value are recognized as assets, and those with a negative fair value are recognized as liabilities.

Except for the portion of cash flow hedges that is effective and included in other comprehensive income and transferred to current profit or loss when the hedged item affects profit or loss, gains or losses arising from changes in the fair value of derivatives are directly included in current profit or loss.

For hybrid instruments containing embedded derivatives, such as those where the main contract is a financial asset, the hybrid instrument as a whole is subject to the relevant provisions for the classification of financial assets. If the master contract is not a financial asset, and the hybrid instrument is not accounted for at fair value with changes recognized in current profit or loss, the embedded derivative instruments are not closely related to the master contract in terms of economic characteristics and risks, and the independent instrument that has the same conditions as the embedded derivative instruments meets the definition of derivative instruments, the embedded derivative instruments shall be split from the hybrid instruments and treated as separate derivative financial instruments. If the fair value of the embedded derivative instrument cannot be measured separately on the acquisition date or subsequent balance sheet dates, the whole hybrid instrument is designated as a financial asset or financial liability at fair value through current profit or loss.

**(5) Impairment of financial instruments**

The company recognizes loss provisions based on expected credit losses for financial assets measured at amortized cost, debt investments measured at fair value with changes included in other comprehensive income, contract assets, lease receivables, loan commitments, and financial guarantee contracts.

Measurement of expected credit losses

Expected credit loss refers to the weighted average of credit losses on financial instruments, weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Company, discounted at the original effective interest rate, i.e., the present value of the total cash shortfall. For financial assets acquired or originated that have experienced credit impairment, they shall be discounted using the effective interest rate adjusted for credit.

Lifetime expected credit loss refers to the expected credit loss resulting from all possible default events that may occur throughout the entire estimated life of a financial instrument.

12-month expected credit loss refers to the expected credit loss resulting from default events on a financial instrument that may occur within 12 months after the balance sheet date (or within the estimated life of the financial instrument if its estimated life is less than 12 months), and it is a part of the lifetime expected credit loss.

On each balance sheet date, the company measures expected credit losses for financial instruments at different stages separately. A financial instrument is in Stage I if its credit risk has not increased significantly since initial recognition. For such instruments, the Company measures the loss allowance based on the 12-month expected credit losses. A financial instrument is in Stage II if its credit risk has increased significantly since initial recognition but no credit impairment has occurred. For such instruments, the Company measures the loss allowance based on the lifetime expected credit losses of the instrument. A financial instrument is in Stage III if it has become credit-impaired since initial recognition. For such instruments, the Company measures the loss allowance based on the lifetime expected credit losses of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition, and measures the loss allowance based on the 12-month expected credit losses.

For financial instruments in Stage I, Stage II, and those with low credit risk, the Company calculates interest income based on their carrying amounts (before deducting impairment allowances) and the effective interest rate. For financial instruments in Stage III, the Company calculates interest income based on their amortized cost (carrying amounts less accumulated impairment allowances) and the effective interest rate.

**(6) Transfer of financial assets**

Transfer of financial assets refers to the following two situations:

A. Transfer the contractual right to receive cash flows from the financial asset to another party;

B. Transfer the financial asset in whole or in part to another party, but retain the contractual right to receive cash flows from the financial asset and assume the contractual obligation to pay the received cash flows to one or more recipients.

①Derecognition of transferred financial assets

If substantially all risks and rewards of ownership of a financial asset have been transferred to the transferee, or if neither transferred nor retained, but control over the financial asset is relinquished, the financial asset is derecognized.

In determining whether control over the transferred financial asset has been relinquished, consider the transferee's actual ability to sell the financial asset. If the transferee can unilaterally sell the transferred financial asset to an unrelated third party without additional conditions for restrictions on such sales, the company has relinquished control over the financial asset.

When determining whether the transfer of a financial asset meets the conditions for derecognition, the company focuses on the substance of the transfer.

If the entire transfer of financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

A. The book value of the financial asset transferred;

B. The consideration received from the transfer, plus the amount in the cumulative change in fair value originally included in other comprehensive income for the derecognized portion (involving transferred financial assets classified as measured at fair value with changes included in other comprehensive income according to Article 18 of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments).

If financial assets are partially transferred, which meets the de-recognition condition, the book value of the entire financial asset transferred is allocated between the de-recognized part and the not de-recognized part (in this case, the retained servicing asset is considered part of the continuing recognized financial asset) based on their relative fair values on the transfer date. The difference between the following two amounts is recognized in the current profit or loss:

A. The book value of the de-recognized part on the de-recognition date;

B. The consideration for the derecognized portion, plus the amount in the cumulative change in fair value originally included in other comprehensive income for the derecognized portion (involving transferred financial assets classified as measured at fair value with changes included in other comprehensive income according to Article 18 of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments).

②Continuing involvement in the transferred financial assets

If the enterprise has neither transferred nor retained substantially all the risks and rewards of ownership and has not relinquished control over the financial asset, it shall continue to recognize the financial asset to the extent of its continuing involvement, and a corresponding liability is recognized.

The term "continuous involvement in the transferred financial asset" refers to the extent to which the enterprise bears the risks or rewards of changes in the value of the transferred financial asset.

③Continuing recognition of the transferred financial assets

If substantially all risks and rewards of ownership of the transferred financial asset are retained, continue to recognize the entire transferred financial asset and recognize the consideration received as a financial liability.

The financial asset and the recognized related financial liability shall not be offset against each other. In subsequent accounting periods, the enterprise should continue to recognize income (or gains) generated by the financial asset and expenses (or losses) generated by the financial liability.

**(7) Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities shall be presented separately in the balance sheet without offsetting each other. However, if the following conditions are met, they are presented in the Balance Sheet as a net amount after offsetting:

The Company has a legally enforceable right to offset the recognized amounts, and this right is currently enforceable;

The Company intends to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

For financial asset transfers that do not meet the derecognition conditions, the transferor shall not offset the transferred financial assets and related liabilities.

### 12. Notes receivable

The basis for determining the combination for notes receivable is as follows:

Notes receivable portfolio 1: commercial acceptance bills

Notes receivable portfolio 2: bank acceptance bills

For notes receivable classified as a portfolio, the company calculates expected credit losses by referencing historical credit loss experience, combined with current conditions, and forecasts of future economic conditions, through default risk exposure and lifetime expected credit loss rate.

### 13. Accounts receivable

The basis for determining the combination for accounts receivable is as follows:

Accounts receivable portfolio 1: receivables from customers

For accounts receivable classified as a portfolio, the company prepares a comparison table of accounts receivable aging and lifetime expected credit loss rates to calculate expected credit losses, by referencing historical credit loss experience, and combined with current conditions, and forecasts of future economic conditions.

### 14. Receivables financing

Not applicable

### 15. Other receivables

Other receivables portfolio 1: receivables for margins and deposits

Other receivables portfolio 2: receivables for employee reserve

Other receivables portfolio 3: receivables for other items

For other receivables classified as a portfolio, the company calculates expected credit losses by referencing historical credit loss experience, combined with current conditions, and forecasts of future economic conditions, through default risk exposure and 12-month or lifetime expected credit loss rate.

### 16. Contract assets

The COOEC presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. If the Company has transferred the right to receive consideration for goods transferred or services provided to customers and the right depends on factors other than the passage of time, it is presented as a contract asset. The COOEC's obligation to transfer goods or provide services to customers for consideration receivable for goods received is presented as contract liabilities.

The Company's determination method and accounting treatment method of expected credit loss of contractual assets are detailed in the Notes V.11.

Contract assets and contract liabilities are presented separately on the balance sheet. Contract assets and contract liabilities under the same contract are presented net. If the net amount is a debit balance, it should be presented under 'Contract assets' or 'Other non-current assets' depending on its liquidity; if the net amount is a credit balance, it should be presented under 'Contract liabilities' or 'Other non-current liabilities' depending on its liquidity. Contract assets and contract liabilities under different contracts cannot be offset against each other.

## 17. Inventories

**(1) Classification of inventory**

Inventory refers to the finished products or goods held for sale, products in production, and materials and supplies consumed during the production process or service provision that the Company holds in its daily activities, including raw materials, products in production, and finished products (commodity stocks).

**(2) Measurement method of dispatched inventories**

Raw materials and inventory items of the Company are issued using the weighted average method for valuation, except for branded watch inventory items, which are valued using the specific identification method.

**(3) Inventory system**

The company uses a perpetual inventory system, and conducts at least one inventory count per year, with gains and losses included in the profit or loss for the current year.

**(4) Recognition standard and calculation method of provision for inventory depreciation reserve**

On the balance sheet date, inventory is measured at the lower of cost and net realizable value. If inventory cost exceeds net realizable value, a provision for inventory impairment is made and included in the current profit or loss.

When determining the net realizable value of inventory, reliable evidence is used, considering the purpose of holding inventory and the impact of events after the balance sheet date.

①In normal operation process, for inventories held directly for sale, including finished goods, commodities and held-for-sale materials, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges. For inventories held for execution of sales contracts or service contracts, the contract price is used as the measurement basis for their net realizable value. If the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realizable value of the excess inventories is measured based on the general sales price. For materials held for sale, etc., the market price is used as the measurement basis for their net realizable value.

②In normal production and operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges. If the net realizable value of the finished products produced using the materials is higher than their cost, such materials are measured at cost. If a decline in the price of the materials indicates that the net realizable value of the finished products is lower than their cost, such materials are measured at their net realizable value, and a provision for inventory write-down is recognized for the difference.

③The company generally makes provisions for inventory write-downs on an individual inventory item basis. For inventories with large quantities and low unit prices, provisions are made by inventory category.

④At the balance sheet date, if the factors that led to the inventory write-down have disappeared, the amount of the write-down is reversed and included in the current profit and loss within the amount of inventory impairment provision originally recognized.

## 18. Assets held for sale

Not applicable

## 19. Debt investment

Not applicable

## 20. Other debt investment

Not applicable

## 21. Long-term receivables

Not applicable

## 22. Long-term equity investments

The Company's long-term equity investments include equity investments in the invested entities over which it has control, significant influence, or joint ventures. Where the Company is able to have significant influences on an investee, the investee is its associate.

**(1) Determination basis of joint control or significant influences on the investee**

Common control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. In determining whether joint control exists, the first step is to judge whether all parties or a group of parties collectively control the arrangement. If all parties or a group of parties must act unanimously to decide on the relevant activities of an arrangement, it is considered that all parties or the group of parties collectively control the arrangement. The second step is to judge whether decisions on the relevant activities of the arrangement must be made with the unanimous consent of these parties that collectively control the arrangement. If there are two or more groups of parties that can collectively control an arrangement, it does not constitute joint control. Protective rights held are not considered when determining whether joint control exists.

Significant influence refers to the power to participate in decision-making over the financial and operating policies of the investee, without having control or joint control over the formulation of those policies. In determining whether the investor can exert significant influence over the investee, consideration is given to the voting shares directly or indirectly held by the investor in the investee, as well as the impact of currently exercisable potential voting rights held by the investor and other parties, assuming such rights are converted into equity in the investee. This includes the impact of currently convertible warrants, share options, and convertible corporate bonds issued by the investee.

When the Company directly or indirectly holds, through its subsidiaries, 20% or more (inclusive) but less than 50% of the voting shares of an investee, it is generally considered to have significant influence over the investee, unless there is clear evidence that it cannot participate in the production and operation decision-making of the investee under such circumstances, in which case significant influence is not formed.

**(2) Determination of initial investment costs**

The investment cost of long-term equity investments formed through business combinations is determined as follows:

A. In business combinations under common control, where the combining party uses the cash payment, transfer of non-cash assets, or assumption of debts as the consideration for the combination, the initial investment cost of the long-term equity investment shall be determined on the combination date as the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party. Capital reserves shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of cash paid, non-cash assets transferred and debts assumed; If the capital reserve is insufficient to cover the difference, the retained earnings shall be adjusted;

B. In business combinations under common control, where the combining party uses the issuance of equity securities as the consideration for the combination, the initial investment cost of the long-term equity investment shall be determined on the combination date as the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party. The total par value of the issued shares is recognized as share capital. The difference between the initial investment cost of the long-term equity investment and the total par value of the issued shares is adjusted to capital reserve; If the capital reserve is insufficient to cover the difference, the retained earnings shall be adjusted;

C. In business combinations not under common control, the combination cost is measured based on the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued to obtain control over the acquiree on the acquisition date and determined as the initial investment cost of the long-term equity investment. Intermediary expenses such as audit, legal services, evaluation and consultation and other related management expenses incurred by the combining party for business combination are recognized in the current profit and loss upon occurrence.

Apart from long-term equity investments formed through business combinations, the investment cost of other long-term equity investments is determined as follows:

A. Long-term equity investments acquired by paying cash are measured at the actual acquisition price as the investment cost. Initial investment cost includes directly related expenses, taxes, and other necessary expenditures incurred in acquiring the long-term equity investment;

B. Long-term equity investments acquired by issuing equity securities are measured at the fair value of the issued securities as the initial investment cost;

C. For long-term equity investments obtained through the exchange of non-monetary assets, if the exchange has commercial substance and the fair value of the asset received or the asset given up can be reliably measured, the initial investment cost is based on the fair value of the asset given up and related taxes. The difference between the fair value and the book value of the asset given up is included in the current profit or loss. If the exchange of non-monetary assets does not meet both conditions, the initial investment cost is based on the book value of the asset given up and related taxes.

D. For long-term equity investments obtained through debt restructuring, the book value is determined based on the fair value of the creditor's rights waived and other costs such as taxes directly attributable to the asset. The difference between the fair value and the book value of the waived creditor's rights is included in the current profit or loss.

**(3) Subsequent measurements and recognition of profit or loss**

Long-term equity investments where the company can implement control over the investee are accounted for using the cost method. Long-term equity investments in its associates and joint ventures are calculated under the equity method.

① Cost method

For long-term equity investments accounted for using the cost method, the cost of the long-term equity investments shall be adjusted when additional investments are made or investments are withdrawn. Cash dividends or profits declared by the investee are recognized as current investment income.

② Equity method

Under the equity method of accounting for long-term equity investments, the general accounting treatments are as follows:

If the cost of a long-term equity investment of the Company is greater than the fair value share of the identifiable net assets of the investee at the time of investment, the initial investment cost is not adjusted; if the initial investment cost is less than the share of the fair value of identifiable net assets of the investee at the time of investment, the difference is recognized in the current profit and loss, and the cost of the long-term equity investment is adjusted accordingly.

The Company shall recognize the investment income and other comprehensive income at the shares of net profit or loss and other comprehensive income realized by the investee which the Company shall enjoy or bear and adjust the book value of long-term equity investments at the same time; The Company shall calculate the shares according to profits or cash dividends declared by the investee and correspondingly reduce the book value of long-term equity investments; For changes in the investee's equity other than net profits or losses, other comprehensive income, and profit distribution, the book value of long-term equity investment shall be adjusted and included in the owner's equity. When recognizing the share of net profit or loss of the investee that should be enjoyed, the net profit of the investee shall be recognized after adjustment on the basis of the fair value of the identifiable net assets of the investee when the investment is obtained. If the accounting policies and accounting period adopted by the investee are inconsistent with those of the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be recognized accordingly. Unrealized profits and losses of internal transactions between the Company and its associates and joint ventures shall be offset by the portion that belongs to the Company according to the due proportion, and the investment profits and losses shall be recognized on this basis. Where the unrealized internal transaction losses between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses should be recognized.

If additional investments or other reasons enable significant influence or joint control over the investee without constituting control, the initial investment cost for equity method accounting is the sum of the fair value of the original equity investment and the additional investment cost. For equity investments previously held classified as other equity instrument investments, the difference between their fair value and book value, as well as the accumulated gains or losses previously included in other comprehensive income, should be transferred from other comprehensive income to retained earnings in the period when they are accounted for using the equity method.

If the joint control or significant influence over the investee is lost due to the disposal of part of the equity investments, the remaining equity investments after the disposal shall be measured at fair value, and the difference between the fair value and the book value on the date of losing joint control or significant influence shall be recognized in current profit or loss. For original equity investments that recognized other comprehensive income under the equity method, other comprehensive income shall be subject to accounting treatment on the same basis as if the investee had directly disposed of the related assets or liabilities not under the equity method.

**(4) Impairment test method and drawing method of impairment provision**

For investments in subsidiaries, associates, and joint ventures, the method for asset impairment provision is detailed in Note V, 30.

## 23. Investment properties

Measurement model of investment property

Measured under cost method

Depreciation and amortization methods

**(1) Classification of investment property**

Investment property refers to property held to earn rent or for capital appreciation, or both. It mainly includes:

①Leased land use rights.

② Land use right held for transfer upon appreciation.

③Leased buildings.

**(2) Measurement model of investment property**

The company uses the cost model for subsequent measurement of investment property. For asset impairment provision methods, see Note V, 30.

The Company calculates depreciation or amortization of investment properties using the straight-line method after deducting accumulated impairment and net residual value from their cost. The depreciation period and annual depreciation rate are determined based on the categories of investment properties, their estimated economic useful life, and the estimated net residual value rate, as follows:

| Type | Depreciation life (year) | Residual value rate (%) | Annual depreciation rate (%) |
|---|---|---|---|
| Houses and buildings | 20-35 | 5.00 | 2.71-4.85 |

## 24. Fixed assets

**(1) Recognition conditions**

A fixed asset shall be recognized at its actual cost at the time of acquisition when it simultaneously meets the following conditions:

① It is probable that the economic benefits associated with the fixed asset will flow into the enterprise.

② The cost of the fixed asset can be measured reliably.

Subsequent expenditures incurred on fixed assets that meet the recognition criteria for fixed assets are included in the cost of fixed assets; Those that do not meet the recognition criteria for fixed assets are included in the current profits and losses when incurred.

For fixed assets with impairment provisions already recognized, the accumulated impairment provisions shall be deducted when calculating depreciation.

At the end of each year, the company reviews the useful life, estimated net residual value, and depreciation method of fixed assets. If there is a difference between the estimated useful life and the original estimate, the useful life of fixed assets is adjusted.

**(2) Depreciation method**

| Type | Depreciation method | Depreciation period | Residual value rate | Annual depreciation rate |
|---|---|---|---|---|
| Buildings and constructions | Straight-line method | 20-35 | 5% | 2.71%-4.85% |
| Machinery equipment | Straight-line method | 10 | 5%-10% | 9%-9.5% |
| Electronic equipment | Straight-line method | 5 | 5% | 19% |
| Transportation facilities | Straight-line method | 5 | 5% | 19% |
| Other equipment | Straight-line method | 5 | 5% | 19% |

## 25. Construction in progress

**(1) Construction in progress is accounted for by classification of approved projects.**

**(2) Standard and timing for transferring of construction in progress to fixed assets**

The total expenses incurred before the construction in progress asset is ready for its intended use are recorded as the entry value of the fixed asset. This includes construction costs, original price of machinery and equipment, other necessary expenses incurred to bring construction in progress to its intended usable state, and borrowing costs incurred from specific borrowings for the project and general borrowings occupied by the project before the asset reaches its intended usable state. The company transfers construction in progress to fixed assets when the installation or construction is completed and it reaches its intended usable state. Fixed assets constructed that have reached the intended usable state but for which completion settlement has not yet been finalized shall be transferred to fixed assets at the estimated value based on the project budget, cost, or actual project expenses, etc., starting from the date when they attain the intended usable state. Depreciation on such fixed assets shall be accrued in accordance with the Company's fixed asset depreciation policy. Upon completion of the final settlement, the original provisional estimated value shall be adjusted to the actual cost; however, the depreciation amount already accrued shall not be adjusted.

## 26. Borrowing costs

**(1) Recognition principle of capitalization of borrowing costs and capitalization period**

Borrowing costs incurred by the company that can be directly attributed to the acquisition, construction, or production of an asset eligible for capitalization are capitalized and recorded into the related asset costs when the following conditions are met:

①The asset disbursement has already incurred;

② The borrowing costs have already incurred;

③ Purchase, construction or manufacturing activities that are necessary to prepare the assets for their intended use are in progress.

Other borrowing interest, discount or premium, and exchange differences are included in the profit or loss of the period in which they occur.

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale condition; Subsequent borrowing costs are recognized as expenses in the period they occur.

**(2) Calculation method of capitalization rate and capitalization amount of borrowing costs**

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, interest costs of special borrowing actually incurred in this period less the interest income of the borrowings unused and deposited in bank or return on temporary investment shall be recognized as the capitalization amount of interest costs of special borrowing.

If a general borrowing is used for the acquisition, construction or production of an asset that qualifies for capitalization, the amount of interest on the general borrowing to be capitalized shall be determined by multiplying the weighted average of the cumulative asset expenditures in excess of specific borrowings by the capitalization rate of the general borrowing used. The capitalization rate is determined via the calculation at the weighted average interest rate of general borrowings.

## 27. Biological assets

Not applicable

## 28. Oil and gas assets

Not applicable

## 29. Intangible assets

**(1) Service life and its determination basis, estimation, amortization method or review procedure**

1) Measurement

Recorded at actual cost at acquisition.

2) Useful life and amortization of intangible assets

① Estimate of the useful lives of the intangible assets with definite useful lives:

| Item | Estimated service life | Basis |
|---|---|---|
| Land use rights | 50 years | Legal rights of use |
| Software system | 5 years | Determine the useful life of an asset based on the period it can generate economic benefits for the company |
| Trademark use right | 5-10 years | Determine the useful life of an asset based on the period it can generate economic benefits for the company |

At the end of each year, the company reviews the useful life and amortization method of intangible assets with limited useful life. Upon review, there were no changes in the estimated useful life and amortization method of intangible assets at the end of the current period.

②Intangible assets for which there is no foreseeable limit to the period over which they are expected to generate economic benefits for the Company are classified as indefinite useful life intangible assets. For intangible assets with indefinite useful life, the company reviews their useful life at the end of each year. If the useful life is still indefinite after review, an impairment test is conducted on the balance sheet date.

③Amortization of intangible assets

For intangible assets with limited useful life, the company determines their useful life at acquisition and amortizes them systematically using the straight-line method over their useful life. The amortization amount is included in the current profit or loss according to the benefiting items. The specific amortization amount is the cost minus the estimated residual value. For intangible assets with impairment provisions already recognized, the accumulated amount of impairment provisions for intangible assets that have been accrued shall also be deducted. For intangible assets with a limited useful life, their residual value is regarded as zero, except in the following cases: there is a third party that undertakes to purchase the intangible asset at the end of its useful life; or the estimated residual value information can be obtained from an active market, and it is highly probable that such a market will exist at the end of the intangible asset's useful life.

Intangible assets with indefinite useful life are not amortized. At the end of each year, the useful life of intangible assets with an indefinite useful life is reviewed. If there is evidence indicating that the useful life of the intangible asset is limited, its useful life is estimated and it is systematically and reasonably amortized over the expected useful life.

**(2) Collection scope of R&D expenses and related accounting treatment methods**

1) Collection scope of R&D expenditure

The company collects expenses directly related to R&D activities as R&D expenditure, including salaries of R&D personnel, direct input costs, depreciation and long-term deferred expenses, design fees, equipment debugging fees, intangible asset amortization expenses, outsourced R&D fees, and other expenses.

2) Specific standards for classifying the research stage and development stage of the internal research and development projects

①The company considers data and related preparation activities for further development as the research phase. Expenses in the research phase of intangible assets are recognized in the current profit or loss when incurred.

②Development activities conducted after completing the research phase are considered as the development phase.

3) Specific criteria for qualifying expenditure for capitalization on the development stage

Expenditures during the development phase can be recognized as intangible assets only when the following conditions are met:

A. Complete such intangible asset to make it usable or salable with technical feasibility;

B. Intention of completing such intangible asset for use or sale;

C. The ways in which intangible assets generate economic benefits include being able to demonstrate that products produced using the intangible assets have a market, or that the intangible assets themselves have a market. If the intangible assets are intended for internal use, their utility must be proven;

D. There is sufficient support from technical, financial resources and other resources, to complete development of such intangible assets, and the ability of using or selling such intangible assets;

E. The expenditures attributable to development stage of such intangible assets shall be measured reliably.

## 30. Long-term assets impairment

The impairment of long-term equity investments in subsidiaries, associates, and joint ventures, investment properties measured using the cost model for subsequent measurement, fixed assets, construction in progress, right-of-use assets, and intangible assets is determined using the following method:

On the balance sheet date, the company assesses whether there are any indications that an asset may be impaired. If there are indications of impairment, the company estimates the recoverable amount of the asset and performs impairment testing. For goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets that have not yet reached a usable state, impairment tests are performed each year, regardless of whether there is an indication of impairment.

The recoverable amount is determined at the higher of the net of the fair value less disposal costs and the present value of the expected future cash flows. The company estimates the recoverable amount based on individual assets; If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is identified based on whether the primary cash inflows generated by the group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is lower than its carrying amount, the company writes down the carrying amount to the recoverable amount. The amount of the write-down is recognized in current profit or loss, with a corresponding impairment provision recognized.

For impairment testing, if there is any indication of impairment in an asset group or combination of asset groups related to goodwill, the impairment test is first performed on the asset group or combination of asset groups excluding goodwill to calculate the recoverable amount and recognize the corresponding impairment loss. Then, the impairment test is performed on the asset group or combination of asset groups including goodwill. The recoverable amount is compared with the carrying amount. If the recoverable amount is lower than the carrying amount, the impairment loss of goodwill is recognized.

Once recognized, impairment losses for assets will not be reversed in subsequent accounting periods.

## 31. Long-term deferred expenses

Long-term deferred expenses account for the expenses which have been already incurred by the Company but will be borne in this period and in the future with an amortization period of over 1 year.

The company's long-term deferred expenses are amortized evenly over the benefit period. The amortization periods for various expenses are as follows:

| Item | Amortization period |
|---|---|
| Counter production fee | 2-3 years |
| Renovation costs | 3-5 years |
| Others | 2-3 years |

## 32. Contract liabilities

The COOEC presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. If the Company has transferred the right to receive consideration for goods transferred or services provided to customers and the right depends on factors other than the passage of time, it is presented as a contract asset. The COOEC's obligation to transfer goods or provide services to customers for consideration receivable for goods received is presented as contract liabilities.

The Company's determination method and accounting treatment method of expected credit loss of contractual assets are detailed in the Notes V.11.

Contract assets and contract liabilities are presented separately on the balance sheet. Contract assets and contract liabilities under the same contract are presented net. If the net amount is a debit balance, it should be presented under 'Contract assets' or 'Other non-current assets' depending on its liquidity; if the net amount is a credit balance, it should be presented under 'Contract liabilities' or 'Other non-current liabilities' depending on its liquidity. Contract assets and contract liabilities under different contracts cannot be offset against each other.

## 33. Employee compensation

### (1) Accounting treatment of short-term compensation

Employee compensation refers to various forms of remuneration or compensation provided by the company for services rendered by employees or for the termination of employment. The employee compensation mainly includes short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided by the Company to the spouse, children, dependents, dependents of deceased employee and other beneficiaries are also included in employee compensation.

Based on liquidity, employee compensation is separately listed under 'Employee compensation payable' and 'Long-term employee compensation payable' in the balance sheet.

1) Accounting treatment of short-term compensation

①Basic employee compensation (wages, bonuses, allowances, subsidies)

During the accounting period when employees provide services, the Company recognizes the actual short-term compensations as liabilities, and includes in current profits and losses, unless other accounting standards require or allow such compensations to be included in the cost of assets.

②Employee welfare expenses

Employee welfare expenses incurred by the company are recognized in the current profit or loss or related asset costs when incurred based on the actual amount incurred. If employee welfare expenses are non-monetary benefits, they are measured at fair value.

③ Medical insurance premium, work-related injury insurance premium, maternity insurance premium, other social insurance premiums, housing provident funds, labor union fees, and employee education expenses

The medical insurance premium, work-related injury insurance premium, maternity insurance premium, other social insurance premiums, and housing provident funds paid by the company for employees, and the labor union fees and employee education expenses accrued according to regulations shall be calculated according to the stipulated contribution base and proportion to determine the amount of corresponding salary during the accounting period of employees providing services to the company, and the corresponding liabilities shall be recognized, and included in the current profit or loss or related asset costs.

④ Short-term compensated absences

The company recognizes employee compensation related to accumulated paid absences when employees render services that increase their future entitlement to such absences, and measures such compensation based on the expected additional payment arising from the accumulated unexercised rights. The company recognizes employee compensation related to non-accumulated paid absences in the accounting period when the employees actually take the absences.

⑤ Short-term profit sharing plan

The company recognizes the relevant employee compensation payable when the profit-sharing plan meets the following conditions simultaneously:

A. The enterprise has a present legal or constructive obligation to pay employee compensation as a result of past events;

B. The amount of the obligation for employee compensation payable arising from the profit-sharing plan can be reliably estimated.

**(2) Accounting treatment of post-employment benefits**

① Defined contribution plan

During the accounting period in which employees provide services, the company recognizes the contributions payable under defined contribution plans as a liability and includes them in the current profits and losses or the cost of related assets.

According to the defined contribution plan, if it is expected that the full amount payable will not be paid within twelve months after the end of the annual reporting period in which employees provide related services, the company measures the employee compensation payable at the discounted amount of the full amount payable, referring to the corresponding discount rate determined by the market yield of government bonds or high-quality corporate bonds in active markets that match the term and currency of the obligation under the defined contribution plan as of the balance sheet date.

② Defined benefit plans

A. Determine the present value of the defined benefit plan obligation and the current service cost

In accordance with the projected unit credit method, the obligations arising from defined benefit plans are measured and the periods to which such obligations relate are determined by making unbiased and consistent actuarial assumptions regarding relevant demographic and financial variables. The company discounts the obligations arising from defined benefit plans using the corresponding discount rate (determined based on the market yields of government bonds or high-quality corporate bonds in an active market that match the term and currency of the defined benefit plan obligations as of the balance sheet date) to determine the present value of defined benefit plan obligations and the current service cost.

B. Recognize net liability or net asset of defined benefit plans

If there are assets in the defined benefit plan, the Company recognizes the deficit or surplus formed by the difference between the present value under defined benefit plan and the fair value of assets under defined benefit plan as a net liability or net asset of the defined benefit plan.

For a surplus of defined benefit plans, COOEC should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and the asset thereof.

C. Determine the amount to be included in asset cost or current profit or loss

Service cost, including current service cost, past service cost, and settlement gains or losses. Except for current service cost required or allowed by other accounting standards to be included in asset cost, other service costs are included in current profit or loss.

Net interests on net liability or net asset of defined benefit plans, including interest income on plan assets, interest expense on defined benefit plan obligations, and interest on the effect of asset ceiling, are included in current profit or loss.

D. Determine the amount to be included in other comprehensive income

Changes arising from the re-measurement of net liabilities or net assets of defined benefit plan, including:

(a) Actuarial gains or losses, which are increases or decreases in the previously measured present value of defined benefit plan obligations due to actuarial assumptions and experience adjustments;

(b) Return on plan assets, excluding amounts included in net interest on net liability or net asset of defined benefit plans;

(c) Changes in the effect of asset ceiling, excluding amounts included in net interest on net liability or net asset of defined benefit plans.

The changes arising from the remeasurement of net liabilities or net assets of defined benefit plans are directly included in other comprehensive income and cannot be reversed to profit or loss in subsequent accounting periods, but the company can transfer these amounts recognized in other comprehensive income within equity.

**(3) Accounting treatment of dismissal benefits**

Where the Company provides termination benefits for employees, the Company shall recognize the employee compensation liabilities arising from termination benefits at the earlier of the following two dates and include them in current profits and losses:

①The date when the company cannot unilaterally withdraw the termination benefits provided due to the labor relationship termination plan or the redundancy offer;

②The date when the company recognizes the costs or expenses related to restructuring of termination benefits payment.

If termination benefits are not expected to be fully paid within twelve months after the end of the annual reporting period, the termination benefit amount is discounted using the appropriate discount rate (determined based on the market yield of government bonds or high-quality corporate bonds in active markets that match the term and currency of the defined benefit plan obligations as of the balance sheet date) and the employee compensation payable is measured at the discounted amount.

**(4) Accounting treatment of other long-term employee's welfare**

①Meeting the conditions of a defined contribution plan

For other long-term employee benefits provided by the company to employees that meet the conditions of a defined contribution plan, the employee compensation payable is measured as the discounted amount of the total amount to be contributed.

②Meeting the conditions of a defined benefit plan

At the end of the reporting period, the Company recognizes employee compensation costs arising from other long-term employee benefits as the following components:

A. Service cost;

B. Net interest on net liabilities or assets for other long-term employee benefits;

C. Changes resulting from the remeasurement of net liabilities or assets for other long-term employee benefits.

To simplify the related accounting treatment, the total net amount of the above items is recognized in the current profit or loss or the cost of related assets.

## 34. Estimated liabilities

**(1) Recognition criteria for estimated liabilities**

In case that an obligation connected to contingencies meets all of the follow conditions, the Company recognizes the obligation as a provision:

①The obligation is a present obligation of the Company;

②The fulfillment of the obligation is likely to result in an outflow of economic benefits from the Company;

③The amount of the obligation can be measured reliably.

**(2) Measurement of estimated liabilities**

Estimated liabilities are initially measured at the best estimate of the expenditures required to settle the present obligation, taking into account risks, uncertainties, the time value of money, and other factors related to the contingencies. The carrying amount of the estimated liabilities is reviewed at each balance sheet date. If there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

## 35. Share-based payment

**(1) Types of share-based payments**

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

**(2) Determination method for the fair value of equity instruments**

①For shares granted to employees, their fair value is measured based on the market price of the company's shares, with adjustments made to reflect the terms and conditions on which the shares are granted (excluding vesting conditions other than market conditions). ②For stock options granted to employees, their market price is difficult to obtain in many cases. If there are no traded options with similar terms and conditions, the company selects an appropriate option pricing model to estimate the fair value of the granted options.

**(3) Basis for the best estimate of vesting equity instruments**

At each balance sheet date within the vesting period, the company shall make its best estimate based on subsequent information such as changes in the number of employees eligible for vesting, which have been newly obtained, and revise the estimated number of equity instruments expected to vest, so as to determine the best estimate of the equity instruments that will vest.

**(4) Accounting treatment for the implementation of share-based payment plan**

Cash-settled share-based payment

①If immediately exercisable upon grant, the cash-settled share-based payments are recognized in related costs or expenses at the fair value of the liabilities assumed by the Company at the grant date, with a corresponding increase in liabilities. On each balance sheet date and on each account date prior to the settlement, the fair values of the liabilities shall be re-measured and the changes included in the profit or loss.

②For cash-settled share-based payment that becomes exercisable only after the completion of services during the vesting period or the achievement of specified performance conditions, on each balance sheet date within the vesting period, the services received in the current period shall be recognized as costs or expenses and corresponding liabilities based on the best estimate of the exercisable situation and at the fair value of the liabilities assumed by the Company.

Equity-settled share-based payment

①Equity-settled share-based payments for employee services that are exercisable immediately upon grant are recognized in related costs or expenses at the fair value of the equity instruments on the grant date, increasing capital reserves accordingly.

②For equity-settled share-based payments exchanged for employee services that can only be exercised after the completion of the vesting period or upon meeting specified performance conditions, at each balance sheet date during the vesting period, the company should account for the fair value of the equity instruments granted on the grant date, based on the best estimate of the number of equity instruments expected to vest, by including the cost of the services received for the period in the costs or expenses and capital reserves.

**(5) Accounting treatment for the modification of share-based payment plan**

When the company modifies a share-based payment plan, if the modification increases the fair value of the granted equity instruments, the increase in services obtained is recognized correspondingly according to the increase in fair value of the equity instruments; If the number of granted equity instruments increases due to modification, the fair value of the increased equity instruments is recognized as additional service costs. The increase in fair value of equity instruments refers to the difference in fair value of the equity instruments on the modification date before and after the modification. If a modification reduces the total fair value of the share-based payment or alters the terms and conditions of the share-based payment plan in other ways that are unfavorable to employees, the accounting treatment for the services received shall continue as if the modification had never occurred, unless the company cancels some or all of the granted equity instruments.

**(6) Accounting treatment for the termination of share-based payment plan**

If the granted equity instruments are canceled or settled during the vesting period (excluding cancellations due to failure to meet vesting conditions), the company:

①Treats the cancellation or settlement as an acceleration of vesting, and immediately recognizes the amount that would otherwise have been recognized over the remaining vesting period;

②Accounts for all payments made to employees upon cancellation or settlement as a repurchase of equity. The portion of the repurchase payment exceeding the fair value of the equity instrument at the repurchase date is recognized as an expense in the current period.

If the company repurchases equity instruments that have already vested with its employees, it reduces the enterprise's owner's equity; The portion of the repurchase payment exceeding the fair value of the equity instrument at the repurchase date is recognized in the current profit or loss.

## 36. Other financial instruments like preferred shares and perpetual bonds

Not applicable

## 37. Revenue

(1) Accounting policies adopted for revenue recognition and measurement disclosed by business type

**(1) General principles**

Revenue represents the total inflow of economic benefits arising from the ordinary activities of the Company, which results in an increase in shareholders' equity and is unrelated to contributions from shareholders.

The Company recognizes revenue when its performance obligations as stipulated in the contract are fulfilled, that is, when the customer obtained control of the related goods. Control over the relevant goods is transferred when the customer can direct the use of and obtain substantially all the remaining benefits from the goods or services.

Where the contract contains two or more performance obligations, the Company will, on the contract start date, allocate the transaction price to each individual performance obligation in the proportion of the individual selling price of the goods or services for which each individual performance obligation is committed, and measure revenue based on the transaction price allocated to each individual performance obligation.

The transaction price is the consideration to which the Company expects to be entitled as a result of the transfer of goods or provision of services to the customer, excluding amounts collected on behalf of third parties. When determining the transaction price of a contract, if variable consideration exists, the company determines the best estimate of the variable consideration using either the expected value or the most likely amount, and includes in the transaction price an amount that does not exceed the portion for which it is highly probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty associated is resolved. If a contract contains a significant financing component, the company determines the transaction price based on the amount that the customer would pay in cash if payment were made at the time the customer obtains control of the goods. The difference between this transaction price and the contract consideration is amortized over the contract period using the effective interest method. For contracts where the interval between the transfer of control and the customer's payment is one year or less, the company does not consider the financing component.

A performance obligation is satisfied over time if one of the following conditions is met; otherwise, it is satisfied at a point in time:

①The customer obtains and consumes the economic benefits brought by the Company's performance while the Company is performing the contract;

②The customer can control the goods in progress during the Company's performance;

③The goods produced during the Company's performance have no alternative use, and the Company has the right to payment for performance completed to date throughout the contract period.

For performance obligations within a certain period, the company recognized revenue in accordance with the performance progress during that period of time, except where the performance progress cannot be reasonably recognized. The company determines the progress of performance in providing services using the input method (or output method). Where the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, revenue shall be recognized according to the amount of costs incurred until the progress of performance can be reasonably determined.

For performance obligations performed at a certain point in time, the company recognized revenue when the customer acquired the control over the relevant goods. When determining whether the customer has acquired control over the goods or services, the company will consider the following indications:

① The company has a current collection right in respect of the goods or services, that is, the customer has a current payment obligation in respect of the goods;

②The company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods;

③The company has transferred the physical possession of the goods to the customer, that is, the customer has physically taken possession of the goods;

④The company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has accepted the main risks and rewards of the ownership of the goods;

⑤ The customer has accepted the goods.

Sales return terms

For sales with return terms, the company recognizes revenue based on the consideration to which it is entitled for transferring goods to the customer when the customer obtains control of the relevant goods, and recognizes estimated liabilities for the amount expected to be refunded due to sales returns; Meanwhile, the company recognizes an asset (i.e., asset for recoverable returned goods) measured at the carrying amount of the expected returned goods at the time of transfer, less the estimated costs to recover the goods (including impairment of returned goods). The cost of goods sold is recognized as the net amount after deducting the aforementioned asset cost from the carrying amount of the transferred goods at the time of transfer. At each balance sheet date, the company reassesses the expected future sales returns and remeasures the aforementioned assets and liabilities.

Quality assurance obligations

According to contract terms and legal provisions, the company provides quality assurance for sold goods and constructed projects. For warranty-type quality assurances that ensure the sold goods meet established standards, the Company accounts for them in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies. For service-type quality assurances that provide a separate service beyond ensuring the sold goods meet established standards, the Company treats them as a distinct performance obligation. A portion of the transaction price is allocated to the service-type quality assurance in proportion to the relative standalone selling prices of the goods and the service-type quality assurance, and revenue is recognized when the customer obtains control of the service. When evaluating whether quality assurance provides a separate service beyond ensuring that the sold goods meet established standards, the company considers factors such as whether the quality assurance is a legal requirement, the warranty period, and the nature of the company's commitment to perform tasks.

Principal and agent

Whether the company is the principal responsible person or agent in a transaction is determined by whether the company has control over the goods or services before the transfer to the customer. If the company is able to control the goods or services before the transfer of the goods or services to the customer, the company is the main responsible person, and the revenue is recognized on the basis of the total consideration received or receivable. Otherwise, the company acts as an agent and recognizes revenue based on the expected commission or fee that it is entitled to receive, which is determined as the net amount of the total consideration received or receivable minus the amount payable to other relevant parties, or in accordance with a pre-determined commission amount or percentage.

Customer consideration payable

If a contract includes customer consideration payable, unless the consideration is for obtaining other clearly distinguishable goods or services for the customer, the company deducts the payable consideration from the transaction price and reduces current revenue at the later of recognizing related revenue or paying (or committing to pay) customer consideration.

Unexercised contractual rights by customers

When the company receives advance payments from customers for goods or services, it first recognizes the amount as a liability, which is then converted to revenue upon fulfillment of related performance obligations. If the advance payment received by the company is non-refundable and the customer may waive all or part of their contractual rights, the company expects to be entitled to the amount related to the waived rights, such amount is recognized as revenue proportionally based on the pattern of the customer exercising their rights; Otherwise, the company only converts the related balance of the above-mentioned liability to revenue when the likelihood of the customer requesting fulfillment of remaining performance obligations is extremely low.

Contract modification

When there is a modification of the construction contract between the company and the customer:

①If the modification adds distinct construction services and contract price, and the new contract price reflects the standalone selling price of the new construction services, the company accounts for the modification as a separate contract;

②If the modification does not fall under the above situation ①, and the construction services transferred and not transferred can be clearly distinguished on the modification date, the company treats it as a termination of the original contract, while merging the unfulfilled part of the original contract with the modified part into a new contract for accounting purposes;

③If the modification does not fall under the above situation ①, and the construction services transferred and not transferred cannot be clearly distinguished on the modification date, the company treats the modified part as part of the original contract for accounting purposes, adjusting the current revenue on the modification date for the impact on previously recognized revenue.

Different revenue recognition and measurement methods involved in different business models adopted by the same type of business

**(2) Specific methods**

The specific methods of revenue recognition of the company are as follows:

Watch sales business

The Company's watch sales business is a performance obligation performed at a certain point in time.

A. Online sales

Revenue is recognized when the products are delivered, signed for by the customer, and payment has been received by the platform.

B. Offline sales

Revenue is recognized when the product is delivered to the customer and accepted by the customer, the price has been received or the right to receive the payment has been obtained, and the relevant economic benefits are likely to flow in.

C. Commissioned sales

Under the commissioned sales model, the Company recognizes revenue when it receives the sales list from the commissioned seller and confirms that the control over the goods has been transferred to the purchaser.

D. Consignment-in

Under the consignment-in model, when the Company delivers the external consignment products to the customer and confirms that the control of the goods has been transferred to the buyer, the revenue is recognized by net method.

Precision manufacturing business

The Company's precision manufacturing and sales business fulfills the performance obligations at a point in time. Domestic sales revenue is recognized when the company delivers the product to the contractually agreed delivery location, the products are accepted by the customer, payment has been received or the right to receive payment has been obtained, and the related economic benefits are likely to flow in. Export sales revenue is recognized when the company has declared the products for export according to the contract, obtained the Bill of Lading, received the payment or obtained the right to receive payment, and the related economic benefits are likely to flow in.

Property leasing business

For details of specific accounting policies, please refer to Note V.41 Accounting treatment of the Company as a lessor.

## 38. Contract costs

Contract costs include contract performance costs and contract acquisition costs.

Costs incurred by the Company for the performance of a contract are recognized as contract performance costs and recorded as an asset when the following conditions are met:

① The costs are directly related to a current or expected contract, including direct labor, direct materials, manufacturing overhead (or similar costs), costs explicitly borne by the customer, and other costs incurred solely due to the contract.

②Where such cost increases the resources of the Company for fulfilling its performance obligations in the future.

③ Where such cost is expected to be recovered.

If the incremental cost incurred by COOEC for obtaining the contract is expected to be recovered, the contract acquisition cost is recognized as an asset.

Assets related to the contract costs are amortized on the same basis as the recognition of the revenue of the goods or services related to the asset; however, if the amortization period of the contract acquisition costs is less than one year, the Company will include such costs in the current profit or loss when incurred.

If the carrying amount of the asset related to contract costs exceeds the difference between the following two items, the Company will make an impairment provision for the excess and recognize it as an asset impairment loss, further considering whether to accrue estimated liabilities related to loss contracts:

① Where the remaining consideration is expected to be obtained by the transfer of goods or services related to the asset;

② Where the costs are estimated to occur for the transfer of the relevant goods or services.

If a subsequent reversal of the aforementioned asset impairment provision occurs, the carrying amount of the asset after reversal shall not exceed the carrying amount of the asset on the reversal date assuming no impairment provision had been recognized.

Contract performance costs recognized as assets are amortized over a period not exceeding one year or one normal operating cycle at the initial recognition and presented under "Inventory". If the amortization period at the initial recognition exceeds one year or one normal operating cycle, they are presented under "Other non-current assets".

Contract acquisition costs recognized as assets, with an amortization period of no more than one year or one normal operating cycle at the initial recognition, are presented under "Other current assets". If the amortization period at the initial recognition exceeds one year or one normal operating cycle, they are presented under "Other non-current assets".

## 39. Government subsidies

**(1) Recognition of government subsidies**

Government grants cannot be recognized unless they simultaneously satisfy the following conditions:

①The company is able to meet the conditions attached to the government grants;

②The company is able to receive the government grants.

**(2) Measurement of government grants**

Government grants in the form of monetary assets are measured at the amount received or receivable. Non-monetary government grants are measured at fair value; If fair value cannot be reliably determined, they are measured at the nominal amount of RMB1.

**(3) Accounting treatment of government grants**

①Government grants related to assets

Government grants obtained by the company for the acquisition, construction or formation of long-term assets are divided as asset-related government grants. Asset-related government grants recognized as deferred income are systematically recognized in profits and losses over the useful life of the relevant asset using a reasonable and systematic method. Government grants measured at a nominal amount are directly included in the current profits and losses. When assets are sold, transferred, scrapped, or damaged before the end of their useful life, the remaining balance of related deferred income is transferred to the profit or loss of the current period for asset disposal.

②Government grants related to income

Government grants other than those related to assets are classified as income-related government grants. Income-related government grants are accounted for as follows, depending on the circumstances:

Those intended to compensate the company for future costs and expenses or losses are recognized as deferred income and are included in the profit or loss of the period when the related costs or losses are recognized;

Those intended to compensate the company for already incurred costs and expenses or losses are directly included in the current profit or loss.

For government grants that include both asset-related and income-related parts, the different parts are accounted for separately; If those parts are indistinguishable, they are classified as income-related government grants in entirety.

Government grants related to the company's routine activities are recognized as other income, in accordance with the substance of the business transaction. Government grants not related to the Company's routine activities are recognized as non-operating income and expenses.

③Interest subsidies on policy-based preferential loans

When the finance department appropriates the discounted interest to the loan bank, then the loan bank provides the loans at the policy-based preferential interest rate to the Company, the loan amount actually received is taken as the book-entry value, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.

Where the finance department directly appropriates the discount funds to the Company, the Company will use the corresponding interest discount to offset related borrowing costs.

④Government grants return

When previously recognized government grants need to be returned, if they were initially deducted from the carrying amount of related assets, the asset carrying amount shall be adjusted; If there is a balance of related deferred income, the balance of deferred income is reduced, and the excess is included in the current profits and losses; For other situations, they are recognized directly in the current profit or loss.

## 40. Deferred tax assets and deferred tax liabilities

The company typically uses the balance sheet liability method to recognize and measure the impact of taxable temporary differences or deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets, based on the temporary differences between the carrying amount and tax base of assets and liabilities on the balance sheet date. The company does not discount deferred tax assets and deferred tax liabilities.

**(1) Recognition of deferred tax assets**

The impact of deductible temporary differences, deductible losses, and tax credits that can be carried forward to future years on income tax is calculated at the tax rate expected to apply during the reversal period and recognized as deferred tax assets, limited to the extent that the company is likely to generate future taxable income to offset the deductible temporary differences, deductible losses, and tax credits.

For deductible temporary differences arising from the initial recognition of assets or liabilities in transactions or events with the following characteristics, their impact on income tax is not recognized as deferred tax assets:

A. The transaction is not a business combination;

B. The transaction affects neither the accounting profit nor the taxable income (or deductible loss).

For deductible temporary differences related to investments made by the company in subsidiaries, associates, and joint ventures, their impact on income tax is recognized as deferred tax assets (only) if the following two conditions are met:

A. The temporary differences are likely to reverse in the foreseeable future;

B. It is likely that future taxable income will be available to offset the deductible temporary differences;

On the balance sheet date, if there is conclusive evidence that sufficient taxable income is likely to be generated in future periods to offset deductible temporary differences, previously unrecognized deferred tax assets are recognized.

On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is likely to earn sufficient taxable income, the write-down amount should be reversed.

**(2) Recognition of deferred tax liabilities**

For all taxable temporary differences of the company, their impact on income tax is measured at the income tax rate expected to apply in the period of reversal, and is recognized as deferred tax liabilities, except in the following cases:

①The impact of taxable temporary differences arising from the following transactions or events on income tax is not recognized as deferred tax liabilities:

A. The initial recognition of goodwill;

B. Initial recognition of assets or liabilities in transactions with the following characteristics: The transaction is not a business combination and does not affect accounting profit or taxable income or deductible loss at the time of occurrence.

②The impact of taxable temporary differences related to investments made by the company in subsidiaries, joint ventures, and associates on income tax is generally recognized as deferred tax liabilities, except when both of the following conditions are met:

A. The company can control the timing of the reversal of the temporary difference;

B. The temporary difference is unlikely to reverse in the foreseeable future.

**(3) Recognition of deferred tax liabilities or assets related to specific transactions or events**

①Deferred tax liabilities or assets related to business combinations

For taxable temporary differences or deductible temporary differences arising from business combinations not under common control, while recognizing deferred tax liabilities or assets, the relevant deferred tax expenses (or income) shall generally adjust the goodwill recognized in the business combination.

②Items directly included in owner's equity

Current income tax and deferred income tax related to transactions or events directly included in owner's equity are included in owner's equity. Transactions or events where the impact of temporary differences on income tax is recognized in owner's equity include: other comprehensive income arising from changes in the fair value of other debt investments, etc.; adjustments to opening retained earnings through retrospective application of accounting policy changes or retrospective restatement of differences from prior period (material) accounting error corrections; and initial recognition of hybrid financial instruments containing both liability and equity components, where they are recognized in owner's equity, etc.

③Losses eligible for offset and tax credits

A. Losses eligible for offset and tax credits arising from the company's own operations

Deductible losses refer to losses calculated and determined according to tax laws that are allowed to offset against taxable income in future years. Unutilized losses (deductible losses) and tax credits that can be carried forward to future years according to tax laws are treated as deductible temporary differences. When it is highly probable that sufficient taxable income will be obtained in future periods where losses eligible for offset or tax credits can be utilized, deferred tax assets are recognized to the extent of the probable taxable income, while reducing the income tax expense in the current income statement.

B. Unutilized losses of the merged entity that can be offset due to business combinations

In a business combination, if the company acquires deductible temporary differences of the acquiree that do not meet the conditions for recognizing deferred tax assets on the acquisition date, they are not recognized. Within 12 months after the acquisition date, if new or further information indicates that the relevant circumstances on the acquisition date already existed and the economic benefits from the acquiree's deductible temporary differences on the acquisition date are expected to be realized, the related deferred tax assets are recognized, while reducing goodwill. If goodwill is insufficient to offset, the difference is recognized as current profit or loss; Except for the above situations, deferred tax assets related to business combinations are recognized in the current profit or loss.

④Temporary differences arising from consolidation elimination

When the company prepares the consolidated financial statements, if temporary differences arise between the book values of assets and liabilities in the consolidated balance sheet and their tax bases in the respective tax entities due to the elimination of unrealized internal transaction profits and losses, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet, with a corresponding adjustment to income tax expense in the consolidated income statement, except for deferred taxes related to transactions or events directly recognized in owner's equity and business combinations.

⑤Equity-settled share-based payment

If tax laws allow pre-tax deductions for expenses related to share-based payments, during the period when costs and expenses are recognized according to accounting standards, the company estimates the amount deductible before tax based on information obtained at the end of the accounting period to determine its tax base and resulting temporary differences. Deferred tax is recognized if the recognition conditions are met. If the estimated amount deductible before tax in future periods exceeds the costs and expenses related to share-based payments recognized according to accounting standards, the tax impact of the excess should be directly recognized in owner's equity.

**(4) Basis for presentation of deferred tax assets and deferred tax liabilities as net amount**

Deferred tax assets and liabilities are presented by the Company as a net amount when the following conditions are met simultaneously:

① The Company has the legal right to settle the current tax assets and current tax liabilities with net amount;

② Deferred tax assets and deferred tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reverse of deferred tax assets and deferred tax liabilities, the involved taxpayer intends to balance tax assets and liabilities for this period with net settlement at the time of obtaining assets and discharging liabilities, deferred tax assets and deferred tax liabilities shall be presented based on the net amount after offset.

## 41. Leasing

**(1) Accounting treatment method of leasing as a lessee**

1) Accounting treatment method for the company as a lessee

On the lease commencement date, the company classifies leases with a term of no more than 12 months and without purchase options as short-term leases; Leases that are of low value are classified as low-value asset leases when the individual leased asset is new. If the Company sublets or anticipates subletting the leased assets, the original lease is not recognized as a low-value asset lease.

For all short-term leases and low-value asset leases, the company recognizes lease payments in the cost of related assets or current profit or loss on a straight-line basis over the lease term.

Except for the short-term leases and low-value asset leases subject to simplified treatment mentioned above, the company recognizes right-of-use assets and lease liabilities on the lease commencement date.

① Right-of-use assets

A right-of-use asset refers to the lessee's right to use the leased asset during the lease term.

At the commencement date of the lease, the right-of-use asset is initially measured at cost. The cost includes:

• The initial measurement amount of the lease liability;

• The lease payment made on or before the lease commencement date, or the relevant amount after deducting the lease incentive already enjoyed if any;

· Initial direct costs incurred by the lessee;

·Costs expected to be incurred by the lessee for dismantling and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed upon in the lease terms. The company recognizes and measures these costs according to the recognition criteria and measurement methods for estimated liabilities, as detailed in Note V, 34. The aforementioned costs, if incurred for producing inventory, will be included in inventory costs.

Depreciation of the right-of-use assets is calculated using the straight-line method over the useful life. For leased assets where ownership is reasonably certain to be obtained at the end of the lease term, the depreciation rate is determined based on the category of the right-of-use assets and the estimated net residual value rate over the expected remaining useful life of the leased assets; For leased assets where ownership is not reasonably certain to be obtained at the end of the lease term, the depreciation rate is determined based on the category of the right-of-use assets over the shorter of the lease term or the remaining useful life of the leased assets.

② Lease liabilities

Lease liabilities shall be initially measured at the present value of the lease payments not yet paid at the commencement date of the lease. Lease payments include the following five items:

Fixed payment and substantial fixed payment, and the relevant amount after deducting the lease incentive if any;

Variable lease payments depending on index or ratio;

Exercise price of the purchased option, provided that the lessee reasonably determines that the option will be exercised;

The amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the lessee will exercise the options to terminate the lease;

Payments expected to be made based on the guaranteed residual value provided by the lessee.

When calculating the present value of lease payments, the interest rate implicit in lease is used as the discount rate. If the interest rate implicit in lease cannot be determined, the company's incremental borrowing rate is used as the discount rate. The difference between lease payments and their present value is treated as unrecognized financing expenses, recognized as interest expenses at the discount rate for determining the present value of lease payments during each period of the lease term, and included in the current profit or loss. Variable lease payments that are not included in the lease liabilities are included in current profit or loss when incurred.

After the commencement date of the lease, if there are changes in the substantially fixed payments, expected amounts payable under residual value guarantees, indices or rates used to determine lease payments, or the assessment or actual exercise of options to purchase, renew, or terminate the lease, the company remeasures the lease liability using the present value of the revised lease payments and correspondingly adjusts the carrying amount of the right-of-use asset.

2) Accounting treatment of lease modifications

①Lease modification as a separate lease

If there is a lease modification, and it meets the following conditions, the company will treat it as a separate lease: A. The lease modification expands the lease scope by adding the right to use one or more leased assets; B. The increased consideration is equivalent to the individual price of the expanded part adjusted according to the contract.

②Lease modification not as a separate lease

A. The company as the lessee

On the effective date of the lease modification, the company re-determines the lease term and discounts the modified lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of modified lease payments, the interest rate implicit in lease of the remaining lease term is used as the discount rate; If the interest rate implicit in lease of the remaining lease term cannot be determined, the incremental borrowing rate on the effective date of the lease modification is used as the discount rate.

For the impact of the above lease liability adjustments, accounting treatment is distinguished as follows:

· If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the book value of the right-of-use asset is reduced and the gain or loss related to the partial or complete termination of the lease is recognized in current profit or loss;

·Other lease modifications, adjusting the carrying amount of the right-of-use asset accordingly.

3) Sale and leaseback

The company evaluates and determines whether the asset transfer in a sale and leaseback transaction is a sale according to Note V, 37.

The company as the seller (lessee)

If the asset transfer in a sale and leaseback transaction does not qualify as a sale, the company continues to recognize the transferred asset and recognizes a financial liability equal to the transfer income, accounting for this financial liability according to Note V, 11. For asset transfers that qualify as sales, the company measures the right-of-use asset formed by the sale-and-leaseback based on the portion of the original asset's carrying amount related to the right-to-use obtained from the leaseback, and recognizes any gain or loss related to the rights transferred to the lessor.

**(2) Accounting treatment method of leasing as a lessor**

1) Accounting treatment method for the company as a lessor

At the lease commencement date, the company classifies leases that substantially transfer all risks and rewards related to ownership of the leased asset as finance leases; others are operating leases.

①Operating lease

During each period of the lease term, the company recognizes lease receipts as rental income on a straight-line basis, capitalizes initial direct costs, and allocates them on the same basis as rental income recognition, recognizing them in profit or loss for the period. Variable lease payments obtained by the Company related to operating leases that are not included in lease receipts are recognized in the current profit or loss when they occur.

②Finance Lease

At the lease commencement date, the company recognizes finance lease receivables at the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the lease commencement date, discounted at the interest rate implicit in lease) and derecognizes the finance lease asset. During each period of the lease term, the company calculates and recognizes interest income using the interest rate implicit in lease.

The variable lease payments obtained by the Company that are not included in the measurement of net lease investment are included in the current profit and loss when they actually occur.

2) Accounting treatment of lease modifications

①Lease modification as a separate lease

If a lease changes and meets all the following conditions, the Company will account for the lease change as a separate lease:

A. The lease change expands the scope of the lease by adding one or more rights to use the leased assets; B. The increased consideration is equivalent to the individual price of the expanded part adjusted according to the contract.

②Lease modification not as a separate lease

B. The Company as the lessor

If a change in an operating lease occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease receipts received in advance or receivable in connection with the lease prior to the change is considered as the amount received under the new lease.

If a change in a finance lease is not accounted for as a separate lease, the company will handle the changed lease under the following circumstances: If the lease change takes effect on the lease commencement date and the lease is classified as an operating lease, the company will account for it as a new lease from the effective date of the lease change, and use the net investment in the lease before the effective date of the lease change as the carrying amount of the leased asset; If the lease change becomes effective on the lease commencement date and the lease is classified as a finance lease, the Company accounts for the lease in accordance with the regulations on modification or renegotiation of contracts.

3) Sale and leaseback

The company as the buyer (lessor)

If the asset transfer in a sale and leaseback transaction does not qualify as a sale, the company does not recognize the transferred asset but recognizes a financial asset equal to the transfer income and accounts for this financial asset according to Note V, 11. If the asset transfer qualifies as a sale, the company accounts for the asset purchase according to other applicable enterprise accounting standards and accounts for the asset lease.

## 42. Other significant accounting policies and accounting estimates

Not applicable

## 43. Changes in significant accounting policies and estimates

### (1) Changes in significant accounting policies

Not applicable

### (2) Changes in significant accounting estimates

Not applicable

### (3) Adjustment of items related to the financial statements at the beginning of the year when the new accounting standards are implemented for the first time since 2025

Not applicable

## 44. Others

Not applicable

## VI. Taxation

### 1. Main taxes and tax rates

| Tax type | Tax basis | Tax rate |
|---|---|---|
| Value added tax (VAT) | Taxable income | Calculate output tax at 5%, 6%, 9%, 13% of sales and pay after deducting input tax as per regulations |
| Consumption tax | Taxable price of high-end watch sales income and sales quantity | 20% |
| Urban maintenance and construction tax | Turnover tax payable | 5%, 7% |
| Enterprise income tax | Taxable income | See the table below for details |
| Property taxes | Tax basis: 70% or 80% of the original value of the house property | 1.2%, 12% |

Notes to disclosure of enterprises with different enterprise income tax rates

| Name of taxpayer | Income tax rate |
|---|---|
| FIYTA Precision Technology Co., Ltd. | 25% |
| Shenzhen Harmony World Watch Centre Co., Ltd. (①) | 25% |
| FIYTA Sales Co., Ltd. (①) | 25% |
| Shenzhen FIYTA Precision Technology Co., Ltd. (②) | 15% |
| Shenzhen FIYTA STD Co., Ltd. (②) | 15% |
| Shenzhen Harmony World Watch Centre Co., Ltd. (⑤) | 20% |
| Shenzhen Xunhang Precision Technology Co., Ltd. | 25% |
| Emile Chouriet Horologe (Shenzhen) Co., Ltd. | 25% |
| Liaoning Hengdarui Commerce and Trade Co., Ltd. | 25% |
| Temporal (Shenzhen) Co., Ltd. | 25% |
| Shenzhen Harmony E-commerce Co., Ltd. (⑤) | 20% |
| FIYTA (HONG KONG) LIMITED (③) | 16.5% |
| Montres Chouriet SA (④) | 30% |

Note ①: According to the relevant provisions of the "Interim Measures for the Administration of Enterprise Income Tax Collection for Enterprises with Trans-regional Operations and Consolidated Tax Payments" issued by the State Administration of Taxation, the headquarters and its subordinate branches of such companies implement a consolidated tax payment method for enterprise income tax. This method involves "unified calculation, hierarchical management, local prepayment, consolidated settlement, and fiscal transfer of accounts." 50% of the prepayment is shared among branches, and 50% is shared by the head office;

Note ②: These companies enjoy the "tax rate reduction and exemption for high-tech enterprises that need key support from the state";

Note ③: the Company's registered location is Hong Kong, and the local profits tax in Hong Kong is applicable, and the applicable tax rate for this year is 16.50%;

Note ④: the Company is registered in Switzerland. According to the applicable tax rate in registration location, the comprehensive tax rate for this year is 30%;

Notes ⑤: these companies are small low-profit enterprises and are subject to enterprise income tax at a rate of 20%.

### 2. Tax preference

According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that need key support from the state shall be subject to enterprise income tax at a reduced rate of 15%. The subsidiary of the company, Shenzhen FIYTA Precision Technology Co., Ltd., was recognized as a high-tech enterprise in 2024, with certificate number GR202444200965, valid for three years, and enjoys a 15% enterprise income tax rate during the validity period. The subsidiary of the company, Shenzhen FIYTA Technology Development Co., Ltd., was recognized as a high-tech enterprise in 2022, with certificate number GR202244204678, valid for three years, and enjoys a 15% enterprise income tax rate during the validity period.

According to the "Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Businesses" (CS [2023] No. 6) issued by the Ministry of Finance and the State Administration of Taxation, small and micro-profit enterprises include only 25% of their taxable income and pay enterprise income tax at a rate of 20%.

According to the "Notice on Extending the Loss Carry Forward Period for High-Tech Enterprises and Technology-Based Small and Medium-Sized Enterprises" (CS [2018] No. 76) issued by the Ministry of Finance and the State Administration of Taxation, starting from January 1, 2018, losses incurred in the five fiscal years prior to obtaining high-tech enterprise qualification that have not yet been offset are allowed to be carried forward to subsequent years for offsetting, with the maximum carry forward period extended from 5 years to 10 years.

According to the "Announcement on Further Improving the Policy of Pre-tax Additional Deduction of R&D Expenses" (CS [2023] No. 7) issued by the Ministry of Finance and the State Administration of Taxation, starting from January 1, 2023, enterprises' actual R&D expenses incurred in conducting R&D activities, which are not converted into intangible assets and are included in the current profit and loss, can be additionally deducted at 100% of the actual amount incurred on top of the actual deduction as per regulations; Where intangible assets are formed, they shall be amortized before tax at 200% of the cost of intangible assets as of January 1, 2023.

Since 2019, Hong Kong implemented a two-tiered profits tax regime, whereby the profits tax rate for the first HKD2,000,000 of profits earned by Hong Kong companies is reduced to 8.25%, and the remaining profits are taxed at the standard rate of 16.5%.

### 3. Others

Not applicable

## VII. Notes to consolidated financial statements items

### 1. Monetary funds

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Cash on hand | 13,115.08 | 76,344.01 |
| Bank deposit | 19,791,498.38 | 18,205,968.96 |
| Other monetary funds | 4,008,217.17 | 2,055,640.10 |
| Deposit in finance companies | 515,494,103.34 | 498,616,224.42 |
| Total | 539,306,933.97 | 518,954,177.49 |
| Including: total amount deposited abroad | 499,487.91 | 6,150,258.49 |

4. Other explanations

Note 1: The deposits in finance companies were mainly the deposits in AVIC Finance Co., Ltd.

Note 2: As of June 30, 2025, the company had no pledged, frozen, or potentially recoverable funds.

Details of the funds placed overseas with restrictions on repatriation are as follows:

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Funds placed overseas with restrictions on fund repatriation | 499,487.91 | 6,150,258.49 |

## 2. Trading financial assets

Not applicable

## 3. Derivative financial assets

Not applicable

## 4. Notes receivable

### (1) Classified presentation of notes receivable

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Bank acceptance note | 989,123.16 | 9,184,912.30 |
| Commercial acceptance note | 12,901,833.63 | 20,426,688.30 |
| Total | 13,890,956.79 | 29,611,600.60 |

### (2). Disclosure under the methods of provision for bad debts by category

Unit: yuan

| Type | Balance at the end of the period | | | | | Beginning balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | | Book value | Book balance | | Provision for bad debts | | Book value |
| | Amount | Ratio | Amount | Drawing percentages | | Amount | Ratio | Amount | Drawing percentages | |
| Including: | | | | | | | | | | |
| Notes receivable with provision for bad debts by combination | 14,289,982.57 | 100.00% | 399,025.78 | 2.79% | 13,890,956.79 | 30,686,689.46 | 100.00% | 1,075,088.86 | 3.50% | 29,611,600.60 |
| Including: | | | | | | | | | | |
| Commercial acceptance draft | 13,300,859.41 | 93.08% | 399,025.78 | 3.00% | 12,901,833.63 | 21,501,777.16 | 70.07% | 1,075,088.86 | 5.00% | 20,426,688.30 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| combination | | | | | | | | | | |
| Bank acceptance bill combination | 989,123.16 | 6.92% | | | 989,123.16 | 9,184,912.30 | 29.93% | | | 9,184,912.30 |
| Total | 14,289,982.57 | 100.00% | 399,025.78 | 2.79% | 13,890,956.79 | 30,686,689.46 | 100.00% | 1,075,088.86 | 3.50% | 29,611,600.60 |

Name of provision with provision for bad debts by combination: commercial acceptance bill combination

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Commercial acceptance draft combination | 13,300,859.41 | 399,025.78 | 3.00% |
| Total | 13,300,859.41 | 399,025.78 | |

Description of the basis for determining the combination: receivables of the same aging have similar credit risk characteristics.

Name of provision with provision for bad debts by combination: bank acceptance bill combination

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Bank acceptance bill combination | 989,123.16 | | |
| Total | 989,123.16 | | |

Description of the basis for determining the combination: The drawer has a high credit rating, and has no bill default in history, so the risk of credit loss is extremely low, and also has a strong ability to fulfill the obligation to pay the cash flow of the contract in a short period of time.

If the provision for bad debts of notes receivable is made according to the general expected credit loss model:

Not applicable

### (3) Status of bad debt provision, recovery, or reversal for the period

Provision for bad debts in the current period:

Unit: yuan

| Type | Beginning balance | Change in this period | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Provision | Recovery or reversal | Write-off | Others | |
| Notes receivable with provision for bad debts by individual | | | | | | |
| Notes receivable with provision for bad debts by | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| combination | | | | | | |
| Including: commercial acceptance bill combination | 1,075,088.86 | | 676,063.08 | | | 399,025.78 |
| Bank acceptance bill combination | | | | | | |
| Total | 1,075,088.86 | | 676,063.08 | | | 399,025.78 |

Significant amounts of bad debt recovery or reversal in the current period:

Not applicable

### (4) Notes receivable pledged by the Company at the end of the period

Not applicable

### (5) Receivables notes or discounted at period-end not yet due on the Company's balance sheet date

Unit: yuan

| Item | Termination confirmation amount at period-end | Unconfirmed amount at period-end |
|---|---|---|
| Bank acceptance note | 6,490,722.31 | 0.00 |
| Total | 6,490,722.31 | 0.00 |

### (6). Situation of notes receivable actually written off in the current period

Not applicable

### 5. Accounts receivable

### 1. Disclosure by aging

Unit: yuan

| Aging | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|
| Within 1 year (including 1 year) | 300,381,958.80 | 271,349,349.06 |
| 1-2 years | 7,545,096.05 | 764,175.79 |
| 2-3 years | 841,064.19 | 1,410,843.36 |
| Over 3 years | 18,893,207.66 | 20,138,406.23 |
| 3-4 years | 1,183,000.38 | 2,958,803.32 |
| 4-5 years | 1,434,207.12 | 17,179,602.91 |
| Over 5 years | 16,276,000.16 | |
| Total | 327,661,326.70 | 293,662,774.44 |

## (2). Disclosure under the methods of provision for bad debts by category

Unit: yuan

| Type | Balance at the end of the period | | | | | Beginning balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | | Book value | Book balance | | Provision for bad debts | | Book value |
| | Amount | Ratio | Amount | Drawing percentages | | Amount | Ratio | Amount | Drawing percentages | |
| Accounts receivable with provision for bad debts by individual | 22,527,523.01 | 6.88% | 21,482,673.17 | 95.36% | 1,044,849.84 | 25,816,016.35 | 8.79% | 24,222,124.31 | 93.83% | 1,593,892.04 |
| Including: | | | | | | | | | | |
| Accounts receivable with provision for bad debts by combination | 305,133,803.69 | 93.12% | 10,626,481.20 | 3.48% | 294,507,322.49 | 267,846,758.09 | 91.21% | 9,287,815.70 | 3.47% | 258,558,942.39 |
| Including: | | | | | | | | | | |
| Combination of receivables from customers | 305,133,803.69 | 93.12% | 10,626,481.20 | 3.48% | 294,507,322.49 | 267,846,758.09 | 91.21% | 9,287,815.70 | 3.47% | 258,558,942.39 |
| Total | 327,661,326.70 | 100.00% | 32,109,154.37 | 9.80% | 295,552,172.33 | 293,662,774.44 | 100.00% | 33,509,940.01 | 11.41% | 260,152,834.43 |

Category name of provision for bad debts by individual: accounts receivable from customers

Unit: yuan

| Name | Beginning balance | | Balance at the end of the period | | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts | Drawing percentages | Reason for provision |
| Receivables from | 25,816,016.35 | 24,222,124.31 | 22,527,523.01 | 21,482,673.17 | 95.36% | Existence of disputes, poor |

| | | | | | | |
|---|---|---|---|---|---|---|
| customers | | | | | | operation of customers, etc. |
| Total | 25,816,016.35 | 24,222,124.31 | 22,527,523.01 | 21,482,673.17 | | |

Category name of provision for bad debts by combination: combination of accounts receivable from customers

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of receivables from customers | 305,133,803.69 | 10,626,481.20 | 3.48% |
| Total | 305,133,803.69 | 10,626,481.20 | |

Description of the basis for determining the combination: receivables of the same aging have similar credit risk characteristics.

If the provision for bad debts of accounts receivable is made according to the general expected credit loss model:

Not applicable

### (3) Status of bad debt provision, recovery, or reversal for the period

Provision for bad debts in the current period:

Unit: yuan

| Type | Beginning balance | Change in this period | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Provision | Recovery or reversal | Write-off | Others | |
| Accounts receivable with provision for expected credit losses by individual | 24,222,124.31 | | 2,739,451.14 | | | 21,482,673.17 |
| Accounts receivable with provision for expected credit losses by combination | 9,287,815.70 | 1,462,497.53 | 123,832.03 | | | 10,626,481.20 |
| Total | 33,509,940.01 | 1,462,497.53 | 2,863,283.17 | | | 32,109,154.37 |

Significant amounts of bad debt recovery or reversal in the current period:

Not applicable

### (4). Situation of accounts receivable actually written off in the current period

Not applicable

### (5) Accounts receivable and contractual assets collected from the debtors which rank the first five at the end of period

Unit: yuan

| Entity name | Ending balance of accounts receivable | Ending balance of contract assets | Ending balances of accounts receivable and contract assets | Proportion in the total ending balance of accounts receivable and contractual assets | Ending balance of provision for bad debts of accounts receivable and provision for impairment of contractual assets |
|---|---|---|---|---|---|
| Summary of accounts receivable which ranks the first five at the end of period | 71,318,011.88 | | 71,318,011.88 | 21.77% | 3,565,900.59 |
| Total | 71,318,011.88 | | 71,318,011.88 | 21.77% | 3,565,900.59 |

## 6. Contract assets

Not applicable

## 7. Receivables financing

Not applicable

## 8. Other receivables

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Other receivables | 56,382,345.03 | 56,982,351.27 |
| Total | 56,382,345.03 | 56,982,351.27 |

### (1) Interest receivable

### 1) Classification of interest receivable

Not applicable

### 2) Important overdue interest

Not applicable

### 3). Disclosure under the methods of provision for bad debts by category

Not applicable

#### 4). Status of bad debt provision, recovery, or reversal for the period

Not applicable

#### 5) Situation of interest receivable actually written off in the current period

Not applicable

## (2) Dividends receivable

#### 1) Classification of dividends receivable

Not applicable

#### 2) Important dividends receivable with aging over 1 year

Not applicable

#### 3). Disclosure under the methods of provision for bad debts by category

Not applicable

#### 4). Status of bad debt provision, recovery, or reversal for the period

Not applicable

#### 5) Situation of dividends receivable actually written off in the current period

Not applicable

## (3) Other receivables

#### 1) Classification of other receivables by nature

Unit: yuan

| Nature of payment | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|
| Employee reserve | 3,060,132.82 | 1,282,327.49 |
| Margin and deposits | 52,144,234.33 | 52,384,967.00 |
| Others | 5,371,617.85 | 7,654,517.91 |
| Total | 60,575,985.00 | 61,321,812.40 |

#### 2) Disclosure by aging

Unit: yuan

| Aging | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|
| Within 1 year (including 1 year) | 58,460,481.17 | 59,521,049.33 |
| 1-2 years | 703,757.40 | 302,069.34 |
| 2-3 years | 411,274.63 | 219,738.83 |
| Over 3 years | 1,000,471.80 | 1,278,954.90 |

| | | |
|---|---|---|
| 3-4 years | 68,631.90 | 119,250.00 |
| 4-5 years | 350,764.90 | 1,159,704.90 |
| Over 5 years | 581,075.00 | 0.00 |
| Total | 60,575,985.00 | 61,321,812.40 |

**3). Disclosure under the methods of provision for bad debts by category**

Unit: yuan

| Type | Balance at the end of the period | | | | | Beginning balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | | Book value | Book balance | | Provision for bad debts | | Book value |
| | Amount | Ratio | Amount | Drawing percentages | | Amount | Ratio | Amount | Drawing percentages | |
| Provision for bad debts accrued on an individual basis | 1,399,596.83 | 2.31% | 1,399,596.83 | 100.00% | | 1,534,987.77 | 2.50% | 1,467,292.30 | 95.59% | 67,695.47 |
| Including: | | | | | | | | | | |
| Provision for bad debts made by portfolio | 59,176,388.17 | 97.69% | 2,794,043.14 | 4.72% | 56,382,345.03 | 59,786,824.63 | 97.50% | 2,872,168.83 | 4.80% | 56,914,655.80 |
| Including: | | | | | | | | | | |
| Combination of margin and deposit receivables | 51,444,078.98 | 84.92% | 2,592,042.70 | 5.04% | 48,852,036.28 | 51,515,791.06 | 84.01% | 2,629,814.29 | 5.10% | 48,885,976.77 |
| Combination of employee reserve receivable | 3,060,132.82 | 5.05% | | | 3,060,132.82 | 1,282,327.49 | 2.09% | | | 1,282,327.49 |
| Combination of other financings | 4,672,176.37 | 7.71% | 202,000.44 | 4.32% | 4,470,175.93 | 6,988,706.08 | 11.40% | 242,354.54 | 3.47% | 6,746,351.54 |
| Total | 60,575,985.00 | 100.00% | 4,193,639.97 | 6.92% | 56,382,345.03 | 61,321,812.40 | 100.00% | 4,339,461.13 | 7.08% | 56,982,351.27 |

Number of categories with provision for bad debts by individual: 1

Category name of provision for bad debts by individual: other accounts receivable

Unit: yuan

| Name | Beginning balance | | Balance at the end of the period | | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts | Drawing percentages | Reason for provision |
| Other receivables | 1,534,987.77 | 1,467,292.30 | 1,399,596.83 | 1,399,596.83 | 100.00% | There is a dispute |
| Total | 1,534,987.77 | 1,467,292.30 | 1,399,596.83 | 1,399,596.83 | | |

Number of categories with provision for bad debts by combination: 3

Category name of provision for bad debts by combination: combination of margin and deposit receivable

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of margin and deposit receivable | 51,444,078.98 | 2,592,042.70 | 5.04% |
| Total | 51,444,078.98 | 2,592,042.70 | |

Description of the basis for determining the combination: payments of the same nature have similar credit risk characteristics.

Category name of provision for bad debts by combination: combination of employee reserve receivable

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of employee reserve receivable | 3,060,132.82 | | 0.00% |
| Total | 3,060,132.82 | | |

Description of the basis for determining the combination: payments of the same nature have similar credit risk characteristics.

Category name of provision for bad debts by combination: other accounts receivable

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of other financings | 4,672,176.37 | 202,000.44 | 4.32% |
| Total | 4,672,176.37 | 202,000.44 | |

Description of the basis for determining the combination: payments of the same nature have similar credit risk characteristics.

Provision for bad debts made according to the general expected credit loss model:

Unit: yuan

| Provision for bad debts | Phase I | Phase II | Phase III | Total |
|---|---|---|---|---|
| | Expected credit losses over the next 12 months | Expected credit loss throughout the duration (no credit impairment) | Expected credit loss throughout the duration (credit impairment has occurred) | |
| Balance as of Jan. 1, 2025 | 2,872,168.83 | | 1,467,292.30 | 4,339,461.13 |
| Balance as of January 1, 2025 in | | | | |

| | | | | |
|---|---|---|---|---|
| the current period | | | | |
| - Transfer to phase II | | | | |
| - Transfer to phase III | | | | |
| - Reversal to phase II | | | | |
| - Reversal to phase I | | | | |
| Provision in this period | -78,125.69 | | | -78,125.69 |
| Reversal in this period | | | 67,695.47 | 67,695.47 |
| Charge-off in this period | | | | |
| Write-off in this period | | | | |
| Other changes | | | | |
| Balance as of June 30, 2025 | 2,794,043.14 | | 1,399,596.83 | 4,193,639.97 |

The basis for the division of each stage and the ratio of provisions for bad debts

The phase I is the bad debt provision for other receivables within one year. The phase II is the bad debt provision for other receivables over one year that have not been individually assessed. The phase III is the bad debt provision for individually assessed accounts receivable.

Changes in book balance with significant amount of loss provision in the current period

Not applicable

**4). Status of bad debt provision, recovery, or reversal for the period**

Provision for bad debts in the current period:

Unit: yuan

| Type | Beginning balance | Change in this period | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Provision | Recovery or reversal | Resale or write-off | Others | |
| Provision for bad debts accrued on an individual basis | 1,467,292.30 | | 67,695.47 | | | 1,399,596.83 |
| Provision for bad debts made by portfolio | 2,872,168.83 | 7,811.34 | 85,937.03 | | | 2,794,043.14 |
| Total | 4,339,461.13 | 7,811.34 | 153,632.50 | | | 4,193,639.97 |

Reversal or recovery of significant amount of provision for bad debts in the current period:

Not applicable

**5) Situation of other accounts receivable actually written off in the current period**

Not applicable

**6). Other receivables collected from the debtors which rank the first five at the end of period**

Unit: yuan

| Entity name | Nature of amount | Balance at the end of the period | Aging | Proportion in the total ending balance of other receivables | Ending balance of provision for bad debts |
|---|---|---|---|---|---|
| Summary of other accounts receivable which rank the first five at the end of period | Margin and security deposit | 7,067,684.50 | Within 1 year | 11.67% | 353,384.23 |
| Total | | 7,067,684.50 | | 11.67% | 353,384.23 |

## 7) Presented in other receivables due to centralized management of funds

Not applicable

## 9. Prepayments

## (1) Prepayments are presented by aging

Unit: yuan

| Aging | Balance at the end of the period | | Beginning balance | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| Within 1 year | 24,636,188.41 | 100.00% | 3,858,053.60 | 100.00% |
| 1-2 years | 0.00 | 0.00% | 0.00 | 0.00% |
| Total | 24,636,188.41 | | 3,858,053.60 | |

Reasons for not timely settlement of prepayments with aging over 1 year and significant amount:

Not applicable

## (2). Top five of advances to suppliers in terms of the ending balance presented by advance receivers

The total amount of the top five prepayments by closing balance collected from debtors in the current period is RMB20,938,242.27, accounting for 84.99% of the total closing balance of prepayments.

## 10. Inventories

Whether the Company needs to comply with the disclosure requirements of the real estate industry
No

## (1) Classification of inventory

Unit: yuan

| Item | Balance at the end of the period | | | Beginning balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for impairment of | Book value | Book balance | Provision for impairment of | Book value |

| | | inventory or contract performance costs | | | inventory or contract performance costs | |
|---|---|---|---|---|---|---|
| Raw material | 122,973,588.42 | 2,063,620.17 | 120,909,968.25 | 114,983,902.68 | 2,082,708.59 | 112,901,194.09 |
| Work in progress | 4,775,222.06 | 0.00 | 4,775,222.06 | 8,125,895.42 | 0.00 | 8,125,895.42 |
| Merchandise inventory | 1,788,574,578.14 | 69,525,714.99 | 1,719,048,863.15 | 1,934,763,585.61 | 71,303,705.38 | 1,863,459,880.23 |
| Total | 1,916,323,388.62 | 71,589,335.16 | 1,844,734,053.46 | 2,057,873,383.71 | 73,386,413.97 | 1,984,486,969.74 |

### (2) Data resources recognized as inventory

Not applicable

### (3) Provision for impairment of inventory or contract performance costs

Unit: yuan

| Item | Beginning balance | Increase in this period | | Decrease in this period | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Provision | Others | Reversal or write-off | Others | |
| Raw material | 2,082,708.59 | -19,088.42 | | | | 2,063,620.17 |
| Merchandise inventory | 71,303,705.38 | -1,761,478.97 | | | 16,511.42 | 69,525,714.99 |
| Total | 73,386,413.97 | -1,780,567.39 | | | 16,511.42 | 71,589,335.16 |

Provision for inventory depreciation by combination

Not applicable

### (4) Notes to the ending balance of inventories including the capitalization amount of borrowing costs

Not applicable

### (5) Notes to the amortization amount of contract performance costs in the current period

Not applicable

## 11. Assets held for sale

Not applicable

## 12. Non-current assets due within one year

Not applicable

## 13. Other current assets

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Reclassification of VAT debit balance | 39,188,347.43 | 45,766,634.09 |
| Certificate of deposit | 36,112,276.78 | 29,408,855.46 |
| Prepaid taxes | 4,643,004.35 | 4,402,072.04 |
| Others | 14,562,992.18 | 18,430,363.63 |
| Total | 94,506,620.74 | 98,007,925.22 |

## 14. Debt investments

Not applicable

## 15. Other debt investments

Not applicable

## 16. Investment in other equity instruments

Not applicable

## 17. Long-term receivables

### (1) Long-term receivables

Not applicable

### (2). Disclosure under the methods of provision for bad debts by category

Not applicable

### (3) Status of bad debt provision, recovery, or reversal for the period

Not applicable

### (4). Situation of long-term receivables actually written off in the current period

Not applicable

## 18. Long-term equity investments

Unit: yuan

| Investee | Beginning balance (book | Beginning balance of provisi | Increase/decrease in this period | | | | | | | | Ending balance (book | Balance of provision for impair |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Additional investment | Reduced investment | Investment income or | Other comprehensive | Other changes in equity | Cash dividends or profits | Provision for impairment | Others | | |

| | value) | on for impairment | | | loss recognized under equity method | income adjustments | | declared to be distributed | accrued | | value) | ment as at the end of the period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Joint ventures | | | | | | | | | | | | |
| 2. Associated enterprise | | | | | | | | | | | | |
| Shanghai Watch Industry Co., Ltd. | 50,907,036.84 | | | | 494,545.14 | | | | | | 51,401,581.98 | |
| Sub-total | 50,907,036.84 | | | | 494,545.14 | | | | | | 51,401,581.98 | |
| Total | 50,907,036.84 | | | | 494,545.14 | | | | | | 51,401,581.98 | |

## 19. Other non-current financial assets

Not applicable

## 20. Investment properties

### (1) Investment property measured at cost

Unit: yuan

| Item | Houses and buildings | Land use rights | (XVIII) Construction in progress | Total |
|---|---|---|---|---|
| I. Total original book value | | | | |
| 1. Beginning balance | 544,545,292.87 | | | 544,545,292.87 |
| 2. Increase in this period | | | | |
| (1) Outsourcing | | | | |
| (2) Transfers from inventories\fixed assets\construction in progress | | | | |
| (3) Increase from business combinations | | | | |
| 3. Decrease in | | | | |

| | | | | |
|---|---|---|---|---|
| this period | | | | |
| (1) Disposal | | | | |
| (2) Other transfers out | | | | |
| (3) Transfer to fixed assets | | | | |
| 4. Ending balance | 544,545,292.87 | | | 544,545,292.87 |
| II. Accumulated depreciation and amortization | | | | |
| 1. Beginning balance | 243,542,928.46 | | | 243,542,928.46 |
| 2. Increase in this period | 6,828,575.64 | | | 6,828,575.64 |
| (1) Provision or amortization | 6,828,575.64 | | | 6,828,575.64 |
| 3. Decrease in this period | | | | |
| (1) Disposal | | | | |
| (2) Other transfers out | | | | |
| (3) Transfer to fixed assets | | | | |
| 4. Ending balance | 250,371,504.10 | | | 250,371,504.10 |
| III. Provision for impairment | | | | |
| 1. Beginning balance | | | | |
| 2. Increase in this period | | | | |
| (1) Provision | | | | |
| 3. Decrease in this period | | | | |
| (1) Disposal | | | | |
| (2) Other transfers out | | | | |
| 4. Ending balance | | | | |
| IV. Book value | | | | |
| 1. Book value as at the end of the period | 294,173,788.77 | | | 294,173,788.77 |
| 2. Book value as at the beginning of the period | 301,002,364.41 | | | 301,002,364.41 |

The recoverable amount is determined by the net amount of the fair value less the disposal expenses

Not applicable

The recoverable amount is determined at the present value of the expected future cash flows

Not applicable

Reasons for the difference between the aforementioned information and the information used in the impairment test of previous years or external information

Not applicable

Reasons for the difference between the information used in the company's impairment test in previous years and the actual situation in the current year

Not applicable

Other explanations:

Not applicable

**(2) Investment property measured at fair value**

Not applicable

**(3) Convert to investment property and measure at fair value**

Not applicable

**(4) Investment property without certificate of title**

Not applicable

## 21. Fixed assets

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| (XVII) Fixed assets | 368,564,629.53 | 377,568,144.41 |
| Liquidation of fixed assets | 0.00 | 0.00 |
| Total | 368,564,629.53 | 377,568,144.41 |

## (1). Status of fixed assets

Unit: yuan

| Item | Buildings and constructions | Machinery equipment | Transportation facilities | Electronic equipment | Other equipment | Total |
|---|---|---|---|---|---|---|
| I. Total original book value: | | | | | | |
| 1. Beginning balance | 515,518,210.64 | 131,660,591.28 | 12,031,744.02 | 51,743,615.12 | 43,815,743.01 | 754,769,904.07 |
| 2. Increase in this period | 5,514,245.14 | 3,825,624.50 | 6,095.44 | 1,916,863.53 | 523,924.87 | 11,786,753.48 |
| (1) Purchase | 66,867.32 | 1,138,890.89 | 6,095.44 | 1,830,806.40 | 276,328.94 | 3,318,988.98 |
| (2) Transfer | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| from construction in progress | | | | | | |
| (3) Increase from business combinations | | | | | | |
| (4). Exchange differences arising from foreign currency transactions | 5,447,377.82 | 2,686,733.61 | | 86,057.13 | 247,595.93 | 8,467,764.50 |
| 3. Decrease in this period | | | 2,439,312.87 | 388,408.33 | 532,247.31 | 3,359,968.51 |
| (1) Disposal or scrapping | | | 2,439,312.87 | 388,408.33 | 532,247.31 | 3,359,968.51 |
| (2). Exchange differences arising from foreign currency transactions | | | | | | |
| 4. Ending balance | 521,032,455.78 | 135,486,215.78 | 9,598,526.59 | 53,272,070.32 | 43,807,420.57 | 763,196,689.04 |
| II. Accumulated depreciation | | | | | | |
| 1. Beginning balance | 195,960,430.03 | 90,553,556.06 | 11,195,032.63 | 40,399,800.29 | 39,092,940.65 | 377,201,759.66 |
| 2. Increase in this period | 11,669,166.07 | 6,224,393.32 | 94,097.19 | 1,697,560.00 | 779,455.87 | 20,464,672.45 |
| (1) Provision | 7,637,459.51 | 3,630,014.18 | 94,097.19 | 1,617,743.19 | 531,993.33 | 13,511,307.40 |
| (2) Reversal of investment property | | | | | | |
| (3). Exchange differences arising from foreign currency transactions | 4,031,706.56 | 2,594,379.14 | | 79,816.81 | 247,462.54 | 6,953,365.05 |
| 3. Decrease in this period | | | 2,311,382.45 | 311,889.19 | 411,100.96 | 3,034,372.60 |
| (1) Disposal or scrapping | | | 2,311,382.45 | 311,889.19 | 411,100.96 | 3,034,372.60 |
| (2). Exchange differences arising from foreign currency transactions | | | | | | |
| 4. Ending balance | 207,629,596.10 | 96,777,949.38 | 8,977,747.37 | 41,785,471.10 | 39,461,295.56 | 394,632,059.51 |

| | | | | | | |
|---|---|---|---|---|---|---|
| III. Provision for impairment | | | | | | |
| 1. Beginning balance | | | | | | |
| 2. Increase in this period | | | | | | |
| (1) Provision | | | | | | |
| 3. Decrease in this period | | | | | | |
| (1) Disposal or scrapping | | | | | | |
| 4. Ending balance | | | | | | |
| IV. Book value | | | | | | |
| 1. Book value as at the end of the period | 313,402,859.68 | 38,708,266.40 | 620,779.22 | 11,486,599.22 | 4,346,125.01 | 368,564,629.53 |
| 2. Book value as at the beginning of the period | 319,557,780.61 | 41,107,035.22 | 836,711.39 | 11,343,814.83 | 4,722,802.36 | 377,568,144.41 |

### (2) Temporarily idle fixed assets

Not applicable

### (3) Fixed assets leased out through operating leases

Not applicable

### (4) Fixed assets without certificates of title

Unit: yuan

| Item | Book value | Reason for failure to properly handle the certificates of title |
|---|---|---|
| Buildings and constructions | 166,558.86 | Defects in property rights |

### (5) Impairment test of fixed assets

Not applicable

### (6) Liquidation of fixed assets

Not applicable

### 22. Construction in progress

Not applicable

## 23. Productive biological assets

### (1) Productive biological assets measured at cost

Not applicable

### (2) Impairment test of productive biological assets measured at cost

Not applicable

### (3) Productive biological assets measured at fair value

Not applicable

## 24. Oil and gas assets

Not applicable

## 25. Right-of-use assets

### (1) Right-of-use assets situation

Unit: yuan

| Item | Houses and buildings | Total |
|---|---|---|
| I. Total original book value | | |
| 1. Beginning balance | 216,731,879.49 | 216,731,879.49 |
| 2. Increase in this period | 37,277,373.47 | 37,277,373.47 |
| (1) Lease | 37,277,373.47 | 37,277,373.47 |
| (2). Exchange differences arising from foreign currency transactions | | |
| 3. Decrease in this period | 52,340,357.61 | 52,340,357.61 |
| (1) The lease expires | 52,340,357.61 | 52,340,357.61 |
| 4. Ending balance | 201,668,895.35 | 201,668,895.35 |
| II. Accumulated depreciation | | |
| 1. Beginning balance | 118,293,903.08 | 118,293,903.08 |
| 2. Increase in this period | 49,457,474.41 | 49,457,474.41 |
| (1) Provision | 49,457,474.41 | 49,457,474.41 |
| (2). Exchange differences arising from foreign currency transactions | | |
| 3. Decrease in this period | 48,807,159.56 | 48,807,159.56 |
| (1) Disposal | | |
| (2) The lease expires | 48,807,159.56 | 48,807,159.56 |
| 4. Ending balance | 118,944,217.93 | 118,944,217.93 |
| III. Provision for impairment | | |
| 1. Beginning balance | | |
| 2. Increase in this period | | |

| | | |
|---|---|---|
| (1) Provision | | |
| 3. Decrease in this period | | |
| (1) Disposal | | |
| 4. Ending balance | | |
| IV. Book value | | |
| 1. Book value as at the end of the period | 82,724,677.42 | 82,724,677.42 |
| 2. Book value as at the beginning of the period | 98,437,976.41 | 98,437,976.41 |

## (2) Impairment test of right-of-use assets

Not applicable

## 26. Intangible assets

## (1) Intangible assets

Unit: yuan

| Item | Land use rights | Patent right | Non-patented technology | Software system | Trademark use right | Total |
|---|---|---|---|---|---|---|
| I. Total original book value | | | | | | |
| 1. Beginning balance | 34,933,822.40 | | | 38,764,216.56 | 16,605,353.16 | 90,303,392.12 |
| 2. Increase in this period | | | | 692,372.40 | 0.48 | 692,372.88 |
| (1) Purchase | | | | 661,646.60 | | 661,646.60 |
| (2) Internal research and development | | | | | | |
| (3) Increase from business combinations | | | | | | |
| (4). Exchange differences arising from foreign currency transactions | | | | 30,725.80 | 0.48 | 30,726.28 |
| 3. Decrease in this period | | | | | | |
| (1) Disposal | | | | | | |
| 4. Ending balance | 34,933,822.40 | | | 39,456,588.96 | 16,605,353.64 | 90,995,765.00 |
| II. Accumulated accumulation | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1. Beginning balance | 17,983,028.58 | | | 30,442,053.39 | 10,310,382.99 | 58,735,464.96 |
| 2. Increase in this period | 366,776.65 | | | 1,063,585.52 | 10,816.11 | 1,441,178.28 |
| (1) Provision | 366,776.65 | | | 1,063,585.52 | 10,816.11 | 1,441,178.28 |
| 3. Decrease in this period | | | | | | |
| (1) Disposal | | | | | | |
| 4. Ending balance | 18,349,805.23 | | | 31,505,638.91 | 10,321,199.10 | 60,176,643.24 |
| III. Provision for impairment | | | | | | |
| 1. Beginning balance | | | | | | |
| 2. Increase in this period | | | | | | |
| (1) Provision | | | | | | |
| 3. Decrease in this period | | | | | | |
| (1) Disposal | | | | | | |
| 4. Ending balance | | | | | | |
| IV. Book value | | | | | | |
| 1. Book value as at the end of the period | 16,584,017.17 | | | 7,950,950.05 | 6,284,154.54 | 30,819,121.76 |
| 2. Book value as at the beginning of the period | 16,950,793.82 | | | 8,322,163.17 | 6,294,970.17 | 31,567,927.16 |

The proportion of intangible assets formed by the Company's internal research and development at the end of the current period to the balance of intangible assets is 0.00%

### (2) Data resources recognized as intangible assets

Not applicable

### (3) Land use right without certificate of title

Not applicable

### (4) Impairment test of intangible assets

Not applicable

## 27. Goodwill

### (1) Original book value of goodwill

Not applicable

### (2) Provision for impairment of goodwill

Not applicable

### (3) Information on the asset group or combination of asset groups where the goodwill is located

Not applicable

### (4) Specific determination method of recoverable amount

Not applicable

### (5) Completion of performance commitments and corresponding impairment of goodwill

Not applicable

## 28. Long-term deferred expenses

Unit: yuan

| Item | Beginning balance | Increase in this period | Amount amortized in this period | Other decreases | Balance at the end of the period |
|---|---|---|---|---|---|
| Counter production fee | 24,352,436.13 | 5,256,347.67 | 12,877,120.88 | | 16,731,662.92 |
| Renovation costs | 83,140,826.23 | 16,799,168.58 | 22,686,922.63 | | 77,253,072.18 |
| Others | 2,712,060.93 | 1,871,219.96 | 1,231,279.29 | | 3,352,001.60 |
| Total | 110,205,323.29 | 23,926,736.21 | 36,795,322.80 | | 97,336,736.70 |

## 29. Deferred tax assets/deferred tax liabilities

### (1) Deferred income tax assets without offset

Unit: yuan

| Item | Balance at the end of the period | | Beginning balance | |
|---|---|---|---|---|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for asset impairment | 106,470,945.35 | 24,611,309.99 | 108,844,748.49 | 25,235,985.22 |
| Unrealized profits from internal transactions | 53,348,258.24 | 13,027,061.27 | 65,606,873.01 | 16,083,716.18 |
| Deductible loss | 179,761,339.63 | 38,998,163.64 | 150,789,689.25 | 35,315,775.40 |

| | | | | |
|---|---|---|---|---|
| Equity incentive | | | 7,958,442.71 | 1,839,229.47 |
| Lease liability | 116,734,106.36 | 29,183,526.60 | 98,553,370.15 | 24,638,342.52 |
| Others | 8,564,008.59 | 2,113,179.68 | 11,064,124.31 | 2,766,031.08 |
| Total | 464,878,658.17 | 107,933,241.18 | 442,817,247.92 | 105,879,079.87 |

### (2) Deferred income tax liabilities without offset

Unit: yuan

| Item | Balance at the end of the period | | Beginning balance | |
|---|---|---|---|---|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| One-time pre-tax deduction of fixed assets | 25,760,688.68 | 3,864,103.30 | 27,444,135.67 | 4,116,620.35 |
| (XIX) Right-of-use assets | 115,263,799.19 | 28,815,949.79 | 98,388,890.53 | 24,597,222.63 |
| Total | 141,024,487.87 | 32,680,053.09 | 125,833,026.20 | 28,713,842.98 |

### (3) Deferred tax assets or liabilities presented by net amount after offset

Unit: yuan

| Item | Deduction amount of deferred tax assets and liabilities at the end of the period | Ending balance of deferred tax assets or liabilities after write-off | Deduction amount of deferred tax assets and liabilities from the beginning of the period | Initial balance of deferred tax assets or liabilities after write-off |
|---|---|---|---|---|
| Deferred tax assets | 30,545,929.19 | 77,387,311.98 | 23,723,301.56 | 82,155,778.31 |
| Deferred tax liabilities | 30,545,929.19 | 2,134,123.90 | 23,723,301.56 | 4,990,541.42 |

### (4) Details of unrecognized deferred tax assets

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Provision for asset impairment | 1,395,023.21 | 3,466,155.48 |
| Deductible loss | 23,590,796.58 | 42,305,096.05 |
| Total | 24,985,819.79 | 45,771,251.53 |

### (5) The deductible losses of the unrecognized deferred tax assets will become due in the following years:

Unit: yuan

| Year | Ending amount | Beginning amount | Remark |
|---|---|---|---|
| 2025 | | 18,449,678.50 | |
| 2026 | 23,590,796.58 | 23,855,417.55 | |
| Total | 23,590,796.58 | 42,305,096.05 | |

## 30. Other non-current assets

Unit: yuan

| Item | Balance at the end of the period | | | Beginning balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Provisions for impairment | Book value | Book balance | Provisions for impairment | Book value |
| Prepayment for long-term assets | 7,269,265.12 | | 7,269,265.12 | 3,792,253.84 | | 3,792,253.84 |
| Total | 7,269,265.12 | | 7,269,265.12 | 3,792,253.84 | | 3,792,253.84 |

## 31. Assets with restricted ownership or usage rights

Not applicable

## 32. Short-term loans

## (1) Classification of short-term debts

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Fiduciary loans | 140,000,000.00 | 120,000,000.00 |
| Bill discounting | | 3,957,187.86 |
| Unexpired interest payable | 84,055.54 | 130,566.65 |
| Total | 140,084,055.54 | 124,087,754.51 |

## (2) Overdue and outstanding short-term debts

Not applicable

## 33. Trading financial liabilities

Not applicable

## 34. Derivative financial liabilities

Not applicable

## 35. Notes payable

Not applicable

## 36. Accounts payable

### (1) Presentation of accounts payable

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Payable for goods | 93,881,004.69 | 114,881,141.96 |
| Payable for project | 651,779.61 | 651,779.61 |
| Total | 94,532,784.30 | 115,532,921.57 |

**(2). Significant payable aging over 1 year or overdue**

Not applicable

## 37. Other payables

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Dividends payable | 0.00 | 2,785,293.14 |
| (XXXI) Other payables | 89,287,084.19 | 101,853,190.67 |
| Total | 89,287,084.19 | 104,638,483.81 |

## (1) Interest payable

Not applicable

## (2) Dividends payable

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Ordinary share dividends | 0.00 | 2,785,293.14 |
| Total | 0.00 | 2,785,293.14 |

Other explanations, including significant dividends payable that have remained unpaid for more than one year, shall disclose the reasons for non-payment: Not applicable

## (3) Other payables

**1). Other payable listed by nature**

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Deposits and margin | 30,500,994.96 | 31,563,500.48 |
| Decoration fee | 1,396,312.49 | 3,978,759.28 |
| Restricted stock repurchase obligations | | 12,815,556.81 |
| Accrued expenses and others | 57,389,776.74 | 53,495,374.10 |
| Total | 89,287,084.19 | 101,853,190.67 |

**2) Other significant payable with aging over 1 year or overdue**

Not applicable

## 38. Advance receipts

### (1) Presentation of advances received

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Advance rent | 7,813,681.37 | 11,783,796.49 |
| Total | 7,813,681.37 | 11,783,796.49 |

### (2) Significant advance receivable with aging over 1 year or overdue

Not applicable

## 39. Contract liabilities

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Payment for goods | 15,914,217.86 | 12,605,722.95 |
| Total | 15,914,217.86 | 12,605,722.95 |

Important contract liabilities with an aging of over 1 year

Not applicable

(2) Amount and reasons for significant changes in book value during the reporting period

Not applicable

## 40. Employee compensation

### (1). Employee compensation breakdown

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| I. Short-term compensation | 79,250,553.06 | 236,812,550.02 | 260,152,723.98 | 55,910,379.10 |
| II. Post-employment benefits-defined contribution plans | 7,969,370.66 | 23,452,907.52 | 25,662,144.28 | 5,760,133.90 |
| III. Dismissal welfare | 5,040,229.42 | 3,779,913.64 | 8,533,248.16 | 286,894.90 |
| Total | 92,260,153.14 | 264,045,371.18 | 294,348,116.42 | 61,957,407.90 |

### (2). Short-term compensation breakdown

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| 1. Wages, bonus, allowance and | 78,062,428.74 | 210,491,489.07 | 233,599,166.82 | 54,954,750.99 |

| | | | | |
|---|---|---|---|---|
| subsidy | | | | |
| 2. Staff welfare | 74,715.46 | 4,522,176.40 | 4,588,829.98 | 8,061.88 |
| 3. Social insurance premium | 240,049.63 | 9,786,620.56 | 9,766,890.99 | 259,779.20 |
| Including: medical insurance premiums | 239,971.31 | 8,797,419.67 | 8,778,481.40 | 258,909.58 |
| Work-related injury insurance premiums | 78.32 | 587,928.12 | 587,136.82 | 869.62 |
| Maternity insurance premiums | | | | |
| Housing provident funds | 7,289.00 | 8,888,573.00 | 8,877,741.40 | 18,120.60 |
| 5. Labor Union fee and staff education expenses | 866,070.23 | 3,123,690.99 | 3,320,094.79 | 669,666.43 |
| Total | 79,250,553.06 | 236,812,550.02 | 260,152,723.98 | 55,910,379.10 |

### (3). Defined contribution plan breakdown

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| 1. Basic endowment insurance premiums | 240,419.91 | 21,321,463.27 | 21,406,745.62 | 155,137.56 |
| 2. Unemployment insurance premiums | 384.04 | 831,816.65 | 830,411.45 | 1,789.24 |
| 3. Enterprise annuity payment | 7,728,566.71 | 1,299,627.60 | 3,424,987.21 | 5,603,207.10 |
| Total | 7,969,370.66 | 23,452,907.52 | 25,662,144.28 | 5,760,133.90 |

### 41. Taxes payable

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Value added tax (VAT) | 29,238,621.52 | 33,699,458.80 |
| Enterprise income tax | 12,359,718.96 | 11,535,771.24 |
| Individual income tax | 938,722.58 | 994,923.84 |
| Urban maintenance and construction tax | 334,519.41 | 1,359,840.26 |
| Education surcharge | 238,310.74 | 972,536.24 |
| Others | 3,620,441.55 | 1,252,620.97 |
| Total | 46,730,334.76 | 49,815,151.35 |

### 42. Liabilities held for sale

Not applicable

## 43. Non-current liabilities due within one year

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Lease liability maturing within one year | 57,399,333.79 | 63,538,231.06 |
| Total | 57,399,333.79 | 63,538,231.06 |

## 44. Other current liabilities

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Output tax to be transferred | 2,429,897.06 | 1,529,468.07 |
| Total | 2,429,897.06 | 1,529,468.07 |

## 45. Long-term loans

Not applicable

## 46. Bonds payable

### (1) Bonds payable

Not applicable

### (2) Increase/decrease in bonds payable (excluding preferred stock, perpetual bonds and other financial instruments divided into financial liabilities)

Not applicable

### (3) Notes to convertible corporate bonds

Not applicable

### (4) Description of other financial instruments divided into financial liabilities

Not applicable

## 47. Lease liabilities

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Buildings and constructions | 86,297,142.38 | 101,263,377.23 |
| Unrecognized financing charges | -2,104,028.66 | -2,659,854.13 |
| Lease liability maturing within one year | -57,399,333.79 | -63,538,231.06 |
| Total | 26,793,779.93 | 35,065,292.04 |

Other explanations:

Not applicable

## 48. Long-term payable

Not applicable

### (1) Long-term payable listed by nature

Not applicable

### (2) Special payable

Not applicable

## 49. Long-term employee compensation payable

### (1) Table of long-term employee compensation payable

Not applicable

### (2) Changes in defined benefit plans

Not applicable

## 50. Estimated liabilities

Not applicable

## 51. Deferred income

Not applicable

## 52. Other non-current liabilities

Not applicable

## 53. Capital stock

Unit: yuan

| | Beginning balance | Increase/decrease in this change (+, -) | | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|---|
| | | IPO | Share donation | Capital conversion of provident funds | Others | Sub-total | |
| Total shares | 405,764,007.00 | | | | | | 405,764,007.00 |

## 54. Other equity instruments

**(1) Basic information of preferred stock, perpetual bonds and other financial instruments issued at the end of the period**

Not applicable

**(2) Table of changes in preferred stock, perpetual bonds and other financial instruments issued at the end of the period**

Not applicable

## 55. Capital reserve

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| Capital premium (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 |

Other notes, including the changes in the current period and the reasons for the changes:

1. Pursuant to the "Proposal on the Satisfaction of Restriction Release Conditions for the Third Restriction Release Period of the 2018 A-Share Restricted Stock Incentive Plan (Phase II)" reviewed and approved by the Company's Board of Directors and Shareholders' Meeting, during the current year, 2,047,420 A-shares of restricted stock that meet the restriction release conditions were processed for restriction release. The capital reserve of RMB 8,861,512.48 corresponding to the restricted stock of the above incentive recipients was transferred from "other capital surplus" to "share premium".
2. The difference between the amount of pre-tax deduction for income tax in the current year and the amount of relevant costs and expenses recognized during the vesting period, which arises from the discrepancy between the fair value of restricted stock at the time of unlocking and the grant price at the time of grant, results in an impact on income tax. Accordingly, "other capital surplus" is reduced by RMB 730,251.66.

## 56. Treasury stock

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| Restricted share-based payment | 12,815,556.81 | | 12,815,556.81 | 0.00 |
| Total | 12,815,556.81 | | 12,815,556.81 | 0.00 |

Other notes, including the changes in the current period and the reasons for the changes:

1. As stated in Note 55, 1 of Note VII, for the restricted shares that meet the unlocking conditions and do not require repurchase, the corresponding repurchase obligation is derecognized, thereby reducing "restricted share-based payment" by RMB 12,815,556.81.

## 57. Other comprehensive income

Unit: yuan

| Item | Beginning balance | Amount in the current period | | | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|---|---|
| | | Amount before income tax in the current period | Less: the amount included in other comprehensive income in prior period and transferred to current profit or loss | Less: retained income included in other comprehensive income in prior periods and transferred to current profit or loss | Less: income tax expenses | Attributable to parent company after tax | Attributable to minority shareholders after tax | |
| I. Other comprehensive income that cannot be reclassified into profit or loss | | | | | | | | |
| Including: changes in re-measurement of the defined benefit plan | | | | | | | | |
| Other comprehensive income that cannot be transferred to profit or loss under the equity method | | | | | | | | |
| Changes in fair value of other equity | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| instrument investments | | | | | | | | |
| Changes in fair value of the company's credit risk | | | | | | | | |
| II. Other comprehensive income to be reclassified into profit or loss later | 15,686,794.62 | 9,592,491.09 | | | | 9,592,491.09 | | 25,279,285.71 |
| Including: other comprehensive income that can be carried forward to profit and loss under the equity method | | | | | | | | |
| Changes in fair value of other debt investments | | | | | | | | |
| Amount of financial assets reclassified into other comprehensive incomes | | | | | | | | |
| Provision for credit impairment of other debt investments | | | | | | | | |
| Cash | 15,686,79 | 9,592,491. | | | | 9,592,491. | | 25,279,28 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| flow hedge reserves | 4.62 | 09 | | | | 09 | | 5.71 |
| Total of other comprehensive income | 15,686,794.62 | 9,592,491.09 | | | | 9,592,491.09 | | 25,279,285.71 |

### 58. Special reserves

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| Work safety expenses | 4,340,162.76 | 223,177.64 | 274,388.33 | 4,288,952.07 |
| Total | 4,340,162.76 | 223,177.64 | 274,388.33 | 4,288,952.07 |

### 59. Surplus reserve

Unit: yuan

| Item | Beginning balance | Increase in this period | Decrease in this period | Balance at the end of the period |
|---|---|---|---|---|
| Statutory surplus reserve | 213,025,507.50 | | | 213,025,507.50 |
| Discretionary surplus reserve | 61,984,894.00 | | | 61,984,894.00 |
| Total | 275,010,401.50 | | | 275,010,401.50 |

### 60. Undistributed profits

Unit: yuan

| Item | Current period | Previous period |
|---|---|---|
| Retained earnings as at the end of the previous period before the adjustment | 1,767,517,887.94 | 1,709,513,385.76 |
| Total adjusted undistributed profit at the beginning of the period (increase +, decrease -) | 0.00 | 0.00 |
| Undistributed profits at the beginning of the period after adjustment | 1,767,517,887.94 | 1,709,513,385.76 |
| Plus: Net profit attributable to owners of the parent company in this period | 82,445,500.03 | 220,350,184.99 |
| Common stock dividends payable | 162,305,602.80 | 162,345,682.81 |
| Undistributed profits as at the end of the period | 1,687,657,785.17 | 1,767,517,887.94 |

Details of undistributed profit at the beginning of the period after adjustment

1) Due to the retrospective adjustment of the Accounting Standards for Business Enterprises and its relevant new

provisions, the retained profit at the beginning of the period was affected by RMB0.00.

2) Due to the change in accounting policies, the retained profit at the beginning of the period was affected by RMB0.00.

3) Due to the correction of major accounting errors, the retained profit at the beginning of the period was affected by RMB0.00.

4) Due to the change in the scope of consolidation caused by the same control, the retained profit at the beginning of the period was affected by RMB0.00.

5) The total impact of other adjustments on the retained profit at the beginning of the period was RMB0.00.

## 61. Operating income and operating costs

Unit: yuan

| Item | Amount in the current period | | Amount in the previous period | |
|---|---|---|---|---|
| | Revenue | Cost | Revenue | Cost |
| Primary business | 1,777,911,239.83 | 1,149,101,334.42 | 2,070,514,213.15 | 1,304,312,255.31 |
| Other business | 6,220,697.40 | 707,277.15 | 5,883,698.17 | 170,200.24 |
| Total | 1,784,131,937.23 | 1,149,808,611.57 | 2,076,397,911.32 | 1,304,482,455.55 |

Breakdown of operating income and operating cost:

Unit: yuan

| Contract classification | Divisional 1 | | Total | |
|---|---|---|---|---|
| | Operating revenue | Operating costs | Operating revenue | Operating costs |
| Business type | | | | |
| Including: | | | | |
| Full service business of luxury watches | 1,344,501,516.85 | 980,624,417.20 | 1,344,501,516.85 | 980,624,417.20 |
| Watch brand business | 315,109,112.17 | 97,070,191.43 | 315,109,112.17 | 97,070,191.43 |
| Precision technology business | 60,465,539.30 | 54,745,355.92 | 60,465,539.30 | 54,745,355.92 |
| Leasing business | 57,835,071.51 | 16,661,369.87 | 57,835,071.51 | 16,661,369.87 |
| Others | 6,220,697.40 | 707,277.15 | 6,220,697.40 | 707,277.15 |
| Classified by business area | | | | |
| Including: | | | | |
| South China | 806,381,444.29 | 506,821,115.78 | 806,381,444.29 | 506,821,115.78 |
| Northwest China | 248,784,340.56 | 159,847,879.10 | 248,784,340.56 | 159,847,879.10 |
| North China | 51,669,800.71 | 29,754,508.68 | 51,669,800.71 | 29,754,508.68 |
| East China | 228,872,072.10 | 153,763,476.61 | 228,872,072.10 | 153,763,476.61 |
| Northeast China | 162,388,661.36 | 113,628,484.29 | 162,388,661.36 | 113,628,484.29 |
| Southwest China | 286,035,618.21 | 185,993,147.11 | 286,035,618.21 | 185,993,147.11 |
| Total | 1,784,131,937.23 | 1,149,808,611.57 | 1,784,131,937.23 | 1,149,808,611.57 |

Information related to performance obligations:

See Note V.37 for details.

Information related to the transaction price allocated to the remaining performance obligations:

At the end of the reporting period, the revenue corresponding to the performance obligations that have been signed but not performed or not completed is RMB0.00.

Information about variable consideration in the contract:

Not applicable

Major contract change or major transaction price adjustment of parent company

Not applicable

## 62. Taxes and surcharges

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Consumption tax | 1,206,242.82 | 913,936.41 |
| Urban maintenance and construction tax | 5,065,292.07 | 3,480,924.40 |
| Education surcharge | 3,560,819.76 | 2,468,662.07 |
| Property taxes | 3,761,835.26 | 3,689,322.24 |
| Land use taxes | 193,107.20 | 203,766.80 |
| Vehicle and vessel tax | 1,020.00 | 1,020.00 |
| Stamp tax | 1,137,269.96 | 1,095,430.07 |
| Others | 587,613.97 | 407,395.56 |
| Total | 15,513,201.04 | 12,260,457.55 |

## 63. Administrative expenses

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Employee salary | 70,190,119.12 | 66,869,323.72 |
| Depreciation and amortization | 10,093,537.37 | 10,112,949.88 |
| Traveling expenses | 697,547.75 | 1,603,647.72 |
| Office costs | 1,218,376.72 | 1,670,705.64 |
| Intermediary employment fee | 1,543,816.43 | 1,961,271.79 |
| Water and electricity, property and rental fees | 1,554,287.31 | 1,784,853.95 |
| Business entertainment expenses | 229,638.66 | 456,485.67 |
| Automobile and transportation expenses | 431,178.16 | 598,205.06 |
| Communication charges | 106,156.57 | 173,259.63 |
| Others | 3,906,851.92 | 3,983,229.48 |
| Total | 89,971,510.01 | 89,213,932.54 |

## 64. Selling expenses

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Employee salary | 151,438,933.03 | 181,510,506.64 |
| Shopping malls and rental expenses | 64,976,038.21 | 72,573,677.88 |
| Advertising, exhibition and marketing expenses | 66,944,607.21 | 73,779,075.70 |
| Depreciation and amortization | 85,895,948.64 | 91,305,090.93 |
| Packing expenses | 3,354,092.79 | 4,665,459.60 |
| Water and electricity and property management fees | 10,758,091.61 | 11,430,327.96 |
| Transportation expenses | 2,155,504.25 | 2,742,617.08 |
| Office costs | 2,092,204.90 | 2,697,327.59 |

| | | |
|---|---|---|
| Traveling expenses | 1,727,206.33 | 3,648,244.84 |
| Business entertainment expenses | 882,474.30 | 2,008,292.89 |
| Others | 2,582,931.38 | 3,424,381.29 |
| Total | 392,808,032.65 | 449,785,002.40 |

## 65. Research and development expenses

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Employee salary | 25,193,556.07 | 19,756,648.13 |
| Sample and material costs | 427,397.19 | 1,603,990.91 |
| Depreciation and amortization | 2,484,373.63 | 2,382,614.08 |
| Technical cooperation fee | 1,292,546.07 | 1,469,929.58 |
| Others | 3,689,998.37 | 2,312,815.63 |
| Total | 33,087,871.33 | 27,525,998.33 |

## 66. Financial expenses

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Interest expenditures | 2,390,395.42 | 5,169,603.47 |
| Less: Capitalized interest | | |
| Less: interest income | 1,870,950.85 | 2,185,535.51 |
| Profit or loss on exchange | -560,384.92 | 944,148.29 |
| Handling fees and others | 5,681,020.64 | 5,694,581.34 |
| Total | 5,640,080.29 | 9,622,797.59 |

4. Other explanations

Not applicable

## 67. Other income

Unit: yuan

| Sources of other income | Amount in the current period | Amount in the previous period |
|---|---|---|
| Government grants | 1,509,835.03 | 1,414,439.38 |
| Individual income tax withholding service fee | 565,713.33 | 511,868.05 |
| Additional deduction of input tax | 871,341.32 | 1,177,577.07 |
| Total | 2,946,889.68 | 3,103,884.50 |

## 68. Net exposure hedging income

Not applicable

## 69. Gains from changes in fair value

Not applicable

## 70. Investment income

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
| --- | --- | --- |
| Long-term equity investment income calculated under the equity method | 494,545.14 | 89,872.06 |
| Interest from fixed deposits | 247,499.84 | 223,962.11 |
| Total | 742,044.98 | 313,834.17 |

## 71. Credit impairment losses

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
| --- | --- | --- |
| Losses from bad debts in notes receivable | 676,063.08 | 99,659.19 |
| Losses from bad debts of accounts receivable | 1,433,272.16 | 2,486,626.83 |
| Bad debt loss of other receivables | 118,839.22 | 138,392.41 |
| Total | 2,228,174.46 | 2,724,678.43 |

## 72. Asset impairment losses

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
| --- | --- | --- |
| 1. Inventory depreciation loss and contract performance cost impairment loss | 1,780,567.39 | 28,336.82 |
| 2. Losses from impairment of long-term equity investments | | |
| 3. Losses from impairment of investment properties | | |
| 4. Losses from impairment of fixed assets | | |
| 5. Losses from impairment of project materials | | |
| 6. Losses from impairment of construction in progress | | |
| 7. Losses from impairment of productive biological assets | | |
| 8. Losses from impairment of oil and gas assets | | |
| 9. Losses from impairment of intangible assets | | |
| 10. Losses from impairment of goodwill | | |
| 11. Losses from impairment of contract assets | | |
| 12. Others | | |

| Total | 1,780,567.39 | 28,336.82 |
|---|---|---|

## 73. Income from asset disposals

Unit: yuan

| Source of income from assets disposal | Amount in the current period | Amount in the previous period |
|---|---|---|
| Gains or losses from disposal of fixed assets | -136,999.29 | 2,871,991.80 |
| Gains or losses on disposal of right-of-use assets | -287,408.03 | 34,218.87 |
| Total | -424,407.32 | 2,906,210.67 |

## 74. Non-operating income

Unit: yuan

| Item | Amount in the current period | Amount in the previous period | Amount included in the current non-recurring profit or loss |
|---|---|---|---|
| Payables not required to be paid | 208,509.16 | 250,659.03 | 208,509.16 |
| Compensation income | 913,547.80 | 1,083,368.57 | 913,547.80 |
| Others | 82,150.96 | 44,111.25 | 82,150.96 |
| Total | 1,204,207.92 | 1,378,138.85 | 1,204,207.92 |

## 75. Non-operating expenditure

Unit: yuan

| Item | Amount in the current period | Amount in the previous period | Amount included in the current non-recurring profit or loss |
|---|---|---|---|
| Losses from non-monetary asset exchange | | | |
| Donations made | | 243,626.35 | |
| Fines and overdue fines | 139,702.96 | 1,348.47 | 139,702.96 |
| Liquidated damages | 1,045.00 | 4,075.11 | 1,045.00 |
| Others | 78,693.73 | 29,783.42 | 78,693.73 |
| Total | 219,441.69 | 278,833.35 | 219,441.69 |

## 76. Income tax expense

### (1) Table of income tax expense

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Income tax expenses for the current period | 21,933,368.58 | 41,957,212.02 |
| Deferred tax expenses | 1,181,797.15 | 4,587,823.09 |
| Total | 23,115,165.73 | 46,545,035.11 |

## (2) Accounting profit and income tax expense adjustment process

Unit: yuan

| Item | Amount in the current period |
|---|---|
| Total profits | 105,560,665.76 |
| Income tax expenses calculated at the statutory/applicable tax rate | 26,390,166.44 |
| Influence of different tax rates applicable to subsidiaries | 1,632,457.77 |
| Influence of adjustments to the income tax for the prior years | -1,215,613.43 |
| Influence of non-taxable income | -123,636.29 |
| Influence of nondeductible costs, expenses and losses | -117,653.47 |
| Additional deduction of research and development expenses | -3,371,169.00 |
| (LVIII) Income tax expenses | 23,115,165.73 |

## 77. Other comprehensive income

See Note VII.57 for details.

## 78. Cash flow statement items

## (1) Cash related to operating activities

Cash received from other operating activities

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Margin and security deposit | 4,721,865.96 | 3,891,700.17 |
| Government grants | 1,698,194.84 | 1,685,999.41 |
| Commodity promotion expenses | 2,732,719.87 | 3,815,826.53 |
| Interest income | 1,913,911.99 | 2,197,067.47 |
| Petty cash | 843,906.32 | 1,656,985.54 |
| Others | 8,406,114.61 | 9,515,423.83 |
| Total | 20,316,713.59 | 22,763,002.95 |

Cash paid for other operating activities

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Margin and security deposit | 5,929,267.55 | 4,378,182.27 |
| Period expenses and others | 145,952,265.33 | 181,036,440.45 |
| Total | 151,881,532.88 | 185,414,622.72 |

## (2) Cash related to investing activities

Cash received from other investing activities

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Recovery of fixed deposits | 104,282,319.06 | 120,049,969.61 |

| | | |
|---|---|---|
| Total | 104,282,319.06 | 120,049,969.61 |

Cash received from significant investing activities

Not applicable

Cash paid for other investing activities

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Purchase of fixed deposits | 111,168,651.92 | 165,092,806.07 |
| Total | 111,168,651.92 | 165,092,806.07 |

Cash paid for important investing activities

Not applicable

### (3) Cash related to financing activities

Cash received from other financing activities

Not applicable

Cash paid for other financing activities

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Lease cash outflow | 45,795,435.69 | 58,174,682.07 |
| Payment for share repurchase | | 79,409.91 |
| Total | 45,795,435.69 | 58,254,091.98 |

Notes of cash paid for other financing activities:

Not applicable

Changes in various liabilities arising from financing activities

Unit: yuan

| Item | Beginning balance | Increase in this period | | Decrease in this period | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Cash changes | Non-cash changes | Cash changes | Non-cash changes | |
| (XXV) Short-term borrowings | 124,087,754.51 | 140,000,000.00 | 776,908.34 | 120,823,419.45 | 3,957,187.86 | 140,084,055.54 |
| Dividends payable | 2,785,293.14 | | 161,746,549.20 | 164,531,842.34 | | |
| Non-current liabilities maturing within one year | 63,538,231.06 | | 39,656,538.42 | 45,795,435.69 | | 57,399,333.79 |
| Lease liability | 35,065,292.04 | | 31,385,026.31 | | 39,656,538.42 | 26,793,779.93 |
| Total | 225,476,570.75 | 140,000,000.00 | 233,565,022.27 | 331,150,697.48 | 43,613,726.28 | 224,277,169.26 |

## (4) Notes to net presentation of cash flows

Not applicable

## (5) Major activities and financial impacts that do not involve current cash receipts and payments but affect the financial position of the enterprise or may affect the cash flows of the enterprise in the future

Not applicable

## 79. Supplementary information to the cash flow statement

## (1) Supplementary information to the cash flow statement

Unit: yuan

| Supplementary information | Amount of the current period | Prior period |
|---|---|---|
| 1. Net profit adjusted to cash flows from operating activities: | | |
| Net profit | 82,445,500.03 | 147,138,482.34 |
| Plus: provision for assets impairment | -4,008,741.85 | -2,753,015.25 |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | 20,339,883.04 | 21,248,775.43 |
| Depreciation of right-of-use asset | 49,457,474.41 | 52,808,948.49 |
| Amortization of intangible assets | 1,441,178.28 | 1,821,341.36 |
| Amortization of long-term deferred expenses | 36,795,322.80 | 37,505,025.77 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets ( "-" for gains) | 424,407.32 | -2,906,210.67 |
| Losses on write-off of fixed assets ("-" for gains) | | |
| Losses from changes in fair value ("-" for gains) | | |
| Financial expenses ("-" for gains) | 1,830,010.50 | 6,113,751.76 |
| Investments losses ("-" for gains) | -742,044.98 | -313,834.17 |
| Decreases in deferred tax assets (“-” for increases) | 4,768,466.33 | 4,333,902.49 |
| Increase in deferred tax liabilities ("-" for decreases) | -2,856,417.52 | 253,920.60 |
| Decreases in inventories ("-" for increases) | 141,549,995.09 | -25,957,816.56 |
| Decreases in operating | -38,310,215.86 | -29,498,881.56 |

| | | |
|---|---|---|
| receivables ("-" for increases) | | |
| Increases in operating payables ("-" for decreases) | -41,644,010.52 | -73,263,593.51 |
| Others | | |
| Net cash flows from operating activities | 251,490,807.07 | 136,530,796.52 |
| 2. Significant investing and financing activities not involving in cash receipts and payments: | | |
| Transfer of debts into capital | | |
| Convertible corporate bonds maturing within 1 year | | |
| Fixed assets leased from financing | | |
| 3. Net change in cash and cash equivalents: | | |
| Ending balance of cash | 539,306,933.97 | 404,356,009.13 |
| Less: beginning balance of cash | 518,954,177.49 | 504,629,153.71 |
| Plus: ending balance of cash equivalents | | |
| Less: beginning balance of cash equivalents | | |
| Net increase of cash and cash equivalents | 20,352,756.48 | -100,273,144.58 |

### (2) Net cash paid for acquisition of subsidiaries in the current period

Not applicable

### (3) Net cash received from disposal of subsidiaries in the current period

Not applicable

### (4). Composition of cash and cash equivalents

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| I. Cash | 539,306,933.97 | 518,954,177.49 |
| Including: cash on hand | 13,115.08 | 76,344.01 |
| Unrestricted bank deposits | 535,285,601.72 | 516,822,193.38 |
| Other unrestricted monetary funds | 4,008,217.17 | 2,055,640.10 |
| II. Cash equivalents | | |
| Including: Bond investment maturing within three months | | |
| III. Ending balance of cash and cash equivalents | 539,306,933.97 | 518,954,177.49 |
| Including: cash and cash equivalents | 499,487.91 | 6,150,258.49 |

| | | |
|---|---|---|
| with restricted use right by parent company or subsidiaries of the Group | | |

### (5) The situation where the scope of use is limited but still belongs to the presentation of cash and cash equivalents

Unit: yuan

| Item | Amount of the current period | Prior period | Reasons for remaining cash and cash equivalents |
|---|---|---|---|
| Bank deposit | 499,487.91 | 1,951,883.15 | The account funds of the company's subsidiary FIYTA (HONG KONG) LIMITED and sub-subsidiary Montres Chouriet SA are deposited abroad and fund repatriation is restricted, without affecting daily use. |

### (6) Cash not belonging to cash and cash equivalents

Not applicable

### (7) Description of other major activities

Not applicable

## 80. Notes to items of the statement of changes in Owners' equity

Not applicable

## 81. Foreign currency monetary items

### (1) Foreign currency monetary items

Unit: yuan

| Item | Ending balance of foreign currency | Exchange rate of conversion | Balance converted into RMB at the end of the period |
|---|---|---|---|
| (VI) Monetary funds | | | 10,003,762.73 |
| Including: USD | 364,284.83 | 7.1586 | 2,607,769.38 |
| EUR | 229,840.48 | 8.4024 | 1,931,211.65 |
| HKD | 5,354,566.43 | 0.91195 | 4,883,096.86 |
| CHF | 64,832.63 | 8.9721 | 581,684.84 |
| Accounts receivable | | | 5,516,572.06 |
| Including: USD | 610,075.33 | 7.1586 | 4,367,285.26 |
| EUR | | 8.4024 | |
| HKD | 970,883.25 | 0.91195 | 885,396.98 |

| | | | |
|---|---|---|---|
| CHF | 29,412.27 | 8.9721 | 263,889.83 |
| (XXXIV) Long-term borrowings | | | |
| Including: USD | | | |
| EUR | | | |
| HKD | | | |
| (XXVII) Accounts payable | | | 64,055.68 |
| Including: HKD | 51,113.37 | 0.91195 | 46,612.84 |
| CHF | 1,944.12 | 8.9721 | 17,442.84 |
| Other receivables | | | 218,416.12 |
| Including: HKD | 82,090.60 | 0.91195 | 74,862.52 |
| CHF | 16,000.00 | 8.9721 | 143,553.60 |
| (XXXI) Other payables | | | 840,533.85 |
| Including: USD | 4,933.82 | 7.1586 | 35,319.24 |
| HKD | 444,875.90 | 0.91195 | 405,704.58 |
| CHF | 44,528.04 | 8.9721 | 399,510.03 |

### (2) Description of overseas operating entities, including for important overseas operating entities, the main overseas business place, functional currency and selection basis shall be disclosed, and the reasons for changes in functional currency shall also be disclosed.

For the main operating location and functional currency of important overseas operating entities, see Note V, 4.

### 82. Leasing

### (1) The Company as the lessee

Variable lease payments not included in the measurement of lease liabilities

Current profit or loss and cash flow related to leasing

| Item | Amount for 2025 half-year |
|---|---|
| Short-term lease expenses recognized in current profit or loss using simplified treatment | 628,219.39 |
| Low-value asset lease expenses recognized in current profit or loss using simplified treatment (excluding short-term leases) | |
| Interest expense on lease liability | 1,562,847.08 |
| Variable lease payments included in current profit or loss but not included in the measurement of lease liabilities | 36,664,817.82 |
| Revenue from subletting right-of-use assets | |
| Total cash outflows related to leases | 81,765,658.22 |
| Related profit or loss from sale and leaseback transactions | |

In the first half of 2025, the variable lease payments included in current profit or loss but not included in the measurement of lease liabilities amounted to RMB36,664,817.82.

Simplified treatment of short-term leases or leasing fees for low-value assets

Not applicable

Circumstances involving sale and leaseback transactions

Not applicable

### (2) The Company as the lessor

Operating lease as lessor

Unit: yuan

| Item | Lease income | Including: income related to variable lease payments not included in the lease receipts |
|---|---|---|
| Lease income | 57,835,071.51 | 0.00 |
| Total | 57,835,071.51 | 0.00 |

Financing lease as a lessor

Not applicable

Undiscounted lease receipts for each of the next five years

Not applicable

Reconciliation table of undiscounted lease receipts and net lease investment

Not applicable

### (3) Recognize profit or loss on finance lease sales as a manufacturer or distributor

Not applicable

### 83. Data resources

Not applicable

### 84. Others

Not applicable

## 8. R&D expenditure

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Employee salary | 25,193,556.07 | 19,756,648.13 |
| Sample and material costs | 427,397.19 | 1,603,990.91 |
| Depreciation and amortization | 2,484,373.63 | 2,382,614.08 |
| Technical cooperation fee | 1,292,546.07 | 1,469,929.58 |
| Others | 3,689,998.37 | 2,312,815.63 |
| Total | 33,087,871.33 | 27,525,998.33 |
| Including: Expensed R&D expenditures | 33,087,871.33 | 27,525,998.33 |
| Capitalized R&D expenditures | 0.00 | 0.00 |

### 1. R&D projects eligible for capitalization

Not applicable

## 2. Important outsourcing projects under research

Not applicable

# 9. Changes in the scope of consolidation

## 1. Business combination not under common control

### (1) Business combination not under common control occurred in the current period

Not applicable

### (2) Combination costs and goodwill

Not applicable

### (3) Identifiable assets and liabilities of the acquiree on the acquisition date

Not applicable

### (4) Gains or losses arising from the re-measurement of equity held before the acquisition date at fair value

Whether there is a transaction that achieves the business combination step by step through multiple transactions and obtains the control during the reporting period
No

### （5） Relevant explanations for the inability to reasonably determine the acquisition consideration or the fair value of identifiable assets and liabilities of the acquiree at the acquisition date or the end of the reporting period of combination

Not applicable

### （6） 4. Other explanations

Not applicable

## 2. Business combination under common control

### (1) Business combination under common control occurred in the current period

Not applicable

### (2) Combination cost

Not applicable

### (3) Book value of the combined party's assets and liabilities on the combination date

Not applicable

## 3. Reverse acquisition

Not applicable

## 4. Disposal of subsidiaries

Whether there were any transactions or events during the period in which control over the subsidiary is lost

No

Whether there are multiple transactions and step-by-step disposal of the investment in a subsidiary leading the loss of the control right over the subsidiary in the current period

No

## 5. Changes in the scope of consolidation for other reasons

Not applicable

## 6、Others

Not applicable

# 10. Equity interests in other entities

## 1. Equity in subsidiaries

### (1) Composition of the enterprise group

Unit: yuan

| Name of subsidiaries | Registered capital | Main premise | Registration place | Business nature | Shareholding ratio | | Method of acquisition |
|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | |
| Shenzhen Harmony World Watch Centre Co., Ltd. | 600,000,000.00 | Shenzhen | Shenzhen | Commerce | 100.00% | | Establishment or investment |
| FIYTA Sales Co., Ltd. | 450,000,000.00 | Shenzhen | Shenzhen | Commerce | 100.00% | | Establishment or investment |
| Shenzhen FIYTA Precision Technology Co., Ltd. | 180,000,000.00 | Shenzhen | Shenzhen | Manufacturing | 99.44% | 0.56% | Establishment or investment |
| Shenzhen FIYTA STD Co., Ltd. | 50,000,000.00 | Shenzhen | Shenzhen | Manufacturing | 100.00% | | Establishment or investment |
| Harmony World Watch Centre | 10,000,000.00 | Sanya | Sanya | Commerce | 100.00% | | Establishment or |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| (Hainan) Co., Ltd. | | | | | | | investment |
| Shenzhen Xunhang Precision Technology Co., Ltd. | 10,000,000.00 | Shenzhen | Shenzhen | Manufacturing | 100.00% | | Establishment or investment |
| Emile Chouriet Horologe (Shenzhen) Co., Ltd. | 41,355,200.00 | Shenzhen | Shenzhen | Commerce | 100.00% | | Establishment or investment |
| Liaoning Hengdarui Commerce and Trade Co., Ltd. | 51,000,000.00 | Shenyang | Shenyang | Commerce | 100.00% | | Business combination under common control |
| Temporal (Shenzhen) Co., Ltd. | 5,000,000.00 | Shenzhen | Shenzhen | Commerce | 100.00% | | Establishment or investment |
| Shenzhen Harmony E-commerce Co., Ltd. | 10,000,000.00 | Shenzhen | Shenzhen | Commerce | 100.00% | | Establishment or investment |
| FIYTA (HONG KONG) LIMITED | 137,737,520.00 | Hong Kong | Hong Kong | Commerce | 100.00% | | Establishment or investment |
| Montres Chouriet SA | 97,958,426.10 | Switzerland | Switzerland | Manufacturing | 0.00% | 100.00% | Business combination not under common control |

Description of the shareholding ratio in the subsidiary that is different from the voting rights ratio:

Not applicable

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

Not applicable

For important structured entities included in the scope of consolidation, basis for control:

Not applicable

Basis for determining whether the company is an agent or a principal:

Not applicable

Other explanations:

Not applicable

**(2) Significant non-wholly-owned subsidiaries**

Not applicable

**(3) Main financial information of significant non-wholly-owned subsidiaries**

Not applicable

**(4) Major restrictions on the use of the assets of the enterprise group and the settlement of the debts of the enterprise group**

Not applicable

**(5) Financial support or other support provided to structured entities included in the scope of consolidated financial statements**

Not applicable

## 2. Transactions of changes in the share of Owners' equity in subsidiaries and still control the subsidiaries

**(1) Description of changes in the share of Owners' equity in subsidiaries**

Not applicable

**(2) Impact of the transaction on minority equity and equity attributable to shareholders**

Not applicable

## 3. Equity in joint ventures or associates

### (1) Important joint ventures or associated enterprises

| Name of joint venture or associated enterprise | Main premise | Registration place | Business nature | Shareholding ratio | | Accounting treatment of investments in joint ventures or associated enterprise |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Shanghai Watch Industry Co., Ltd. | Shanghai | Shanghai | Commerce | 25.00% | | Equity method |

Description of the different shareholding scales of joint ventures or associated enterprises from the voting scale:

Not applicable

Basis for holding less than 20% of voting rights but having significant influence, or holding 20% or more of voting rights but not having significant influence:

Not applicable

### (2) Main financial information of important joint ventures

Not applicable

### (3) Main financial information of important associated enterprise

Unit: yuan

| | Ending balance/amount incurred in the current period | Beginning balance/amount incurred in the previous period |
|---|---|---|
| | | |
| Current assets | 215,022,502.18 | 209,477,074.16 |
| Non-current assets | 12,801,786.37 | 15,193,917.74 |
| Total assets | 227,824,288.55 | 224,670,991.90 |
| Current liabilities | 107,900,056.71 | 106,724,940.61 |
| Non-current liabilities | | |
| Total liabilities | 107,900,056.71 | 106,724,940.61 |
| | | |
| Minority equity | | |
| Equity attributable to shareholders of the parent company | 119,924,231.84 | 117,946,051.29 |
| Share of net assets calculated by shareholding scale | 29,981,057.96 | 29,486,512.82 |
| Adjustment matters | 21,420,524.02 | 21,420,524.02 |
| - Goodwill | 21,420,524.02 | 21,420,524.02 |
| - Unrealized profits from internal transactions | | |
| - Others | | |
| Book value of equity investment in associated enterprise | 51,401,581.98 | 50,907,036.84 |
| Fair value of equity investments in associated enterprises at publicly quoted prices | | |
| Operating revenue | 53,414,261.52 | 58,283,918.10 |
| Net profit | 1,978,180.55 | 359,488.26 |
| Net profits from discontinued operations | | |
| (LVIX) Other comprehensive income | | |
| Total comprehensive income | 1,978,180.55 | 359,488.26 |
| Dividends received from associated enterprise in the current year | | |

### (4) Summary financial information of insignificant joint ventures and associated enterprise

Not applicable

### (5) Explanation on significant restrictions on the ability of joint ventures or associated enterprises to transfer funds to the Company

Not applicable

### (6) Excess losses incurred by joint ventures or associated enterprise

Not applicable

### (7) Unrecognized commitments related to investment in joint ventures

Not applicable

### (8) Contingent liabilities related to investments in joint ventures or associated enterprise

Not applicable

### 4. Important joint operation

Not applicable

### 5. Equity in structured entities not included in the scope of consolidated financial statements

Not applicable

### 6. Others

Not applicable

## 11. Government subsidies

### 1. Government subsidies recognized as receivable at the end of the reporting period

Not applicable

### 2. Liability items involving government subsidies

Not applicable

### 3. Government subsidies included in the current period's profit and loss

Unit: yuan

| Accounting item | Amount in the current period | Amount in the previous period |
|---|---|---|
| (L) Other income | 1,509,835.03 | 1,414,439.38 |

## 12. Risks related to financial instruments

### 1. Various risks arising from financial instruments

The company's financial instrument-related risks arise from various financial assets and liabilities recognized during operations, including credit risk, liquidity risk, and market risk.

The objectives and policies for managing various financial instrument-related risks are established by the company's Management. The Operational Management is responsible for daily risk management through functional departments (For example, the company's credit management department reviews each credit sale transaction). The Company's Internal Audit Department conducts daily supervision of the execution of risk management policies and procedures and reports findings to the audit committee in a timely manner.

The overall objective of the company's risk management is to develop risk management policies that minimize financial instrument-related risks without unduly affecting the company's competitiveness and resilience.

1. Credit risk

Credit risk is the risk that financial loss is incurred by one party to a financial instrument due to the other party's failure to fulfill its obligations. The company's credit risk mainly arises from cash, notes receivable, accounts receivable, and receivables financing. The credit risk of these financial assets stems from counterparty default, with the maximum exposure equal to the carrying amount of these instruments.

The company's cash is mainly deposited in commercial banks and other financial institutions, which are considered to have high creditworthiness and asset status, posing low credit risk.

For notes receivable, accounts receivable, receivables financing, other receivables, etc., the Company has set relevant policies to control credit risk exposure. The COOEC, based on the customers' financial positions, the possibility of obtaining guarantees from the third party, credit records and other factors such as the current market conditions, evaluated the credit qualifications of customers and set credit term. The COOEC would monitor the customers' credit records periodically; as for the customers with bad credit records, the COOEC would adopt the methods including requesting a payment in writing or shortening or canceling credit term so as to keep the COOEC's overall credit risks within controllable scope.

(1) Judgment criteria for significant increase of credit risk

The company assesses whether the credit risk of relevant financial instruments has significantly increased since initial recognition at each balance sheet date. In determining whether there has been a significant increase in credit risk since initial recognition, the company considers reasonable and supportable information that can be obtained without undue cost or effort, including qualitative and quantitative analysis based on the company's historical data, external credit risk ratings, and forward-looking information. The company bases on individual financial instruments or groups of financial instruments with similar credit risk characteristics to determine changes in the risk of default over the expected life by comparing the risk of default at the balance sheet date with the risk at initial recognition.

The company considers the credit risk of financial instruments to have significantly increased when one or more of the following quantitative or qualitative criteria are met: Quantitative criteria mainly refer to the increase in the probability of default over the remaining term at the reporting date compared to initial recognition by a certain percentage; Qualitative criteria include significant adverse changes in the major debtor's operations or financial condition, the list of early-warning customers, etc.

(2) Definition of assets with credit impairment

To determine whether credit impairment has occurred, the company uses criteria consistent with internal credit risk management objectives for relevant financial instruments, considering both quantitative and qualitative indicators.

When assessing whether a debtor has experienced credit impairment, the company primarily considers the following factors: significant financial difficulties of the issuer or debtor; The debtor has breached the contract, such as defaulting on interest or principal payments or being overdue; The creditor, for economic or contractual considerations related to the debtor's financial difficulties, grants concessions to the debtor that would not be made under any other circumstances; It is likely that the debtor will go bankrupt or undergo other financial restructuring; The disappearance of an active market for the financial assets due to the issuer's or the debtor's financial difficulties; Acquiring or originating financial assets at a significant discount, which reflects the occurrence of credit losses.

Credit impairment of financial assets may result from the combined effect of multiple events and may not necessarily be caused by individually identifiable events.

(3) Parameters for measurement of expected credit losses

Based on whether there is a significant increase in credit risk and whether credit impairment has occurred, the company measures impairment provisions for different assets using 12-month or lifetime expected credit losses. Key parameters for measuring expected credit losses include probability of default, loss given default, and exposure at default. The company uses quantitative analysis of historical statistical data (such as counterparty ratings, guarantee methods, and types of collateral and pledge, repayment methods, etc.) and forward-looking information to establish models for probability of default, loss given default, and exposure at default.

Relevant definitions are as follows:

Probability of default refers to the likelihood that the debtor will be unable to fulfill its payment obligations within the next 12 months or over the entire remaining duration.

Loss given default refers to the company's expected degree of loss on exposure to default risk. Loss given default varies based on the type of counterparty, method and priority of recourse, and different collateral. Loss given default is the percentage of exposure loss at the time of default, calculated based on the next 12 months or the entire duration;

Exposure at default refers to the amount that should be repaid to the company in the event of default within the next 12 months or over the entire remaining duration. Forward-looking information is involved in assessing significant increases in credit risk and calculating expected credit losses. The company analyzes historical data to identify key economic indicators affecting credit risk and expected credit losses for each business type.

The maximum credit risk exposure the company faces is the carrying amount of each financial asset on the balance sheet. The Company has not provided any other guarantees that may expose the Company to credit risks.

Accounts receivable from the top five customers account for 21.77% of the company's total accounts receivable (comparison period: 21.01%).

2. Liquidity risk

Liquidity risk refers to a risk that an enterprise suffers funds shortage in performing the obligations of settlement in cash or other financial assets. The company is responsible for coordinating the cash management of all its subsidiaries, including short-term investment of cash surpluses and raising loans to meet expected cash needs. The company's policy is to regularly monitor short-term and long-term working capital needs, as well as compliance with the provisions of loan agreements, so as to ensure the maintenance of sufficient cash reserves and marketable securities that can be converted into cash at any time.

As of June 30, 2025, the maturity dates of the company's financial liabilities are as follows:

Unit: RMB'0,000

| Item | June 30, 2025 | | | |
|---|---|---|---|---|
| | Within 1 year | 1-2 years | 2-3 years | Over 3 years |
| (XXV) Short-term borrowings | 14,008.41 | | | |
| (XXVII) Accounts payable | 9,453.28 | | | |
| (XXXI) Other payables | 8,928.71 | | | |
| Non-current liabilities maturing within one year | 5,739.93 | | | |
| Lease liability | | 2,131.33 | 535.56 | 12.49 |
| Total | 38,130.33 | 2,131.33 | 535.56 | 12.49 |

3. Market risk

(1) Foreign exchange risk

Except that the subsidiary established in Hong Kong holds assets with HKD as the settlement currency and the sub-subsidiary established in Switzerland holds assets with CHF as the settlement currency, other main business activities of the Company are mainly settled with RMB. However, the Company's recognized foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets, liabilities and foreign currency transactions are mainly denominated with HKD and CHF) still have exchange rate risks.

①Foreign currency financial assets and liabilities of the company at the end of the period are listed in Note VII, 81 Foreign Currency Monetary Items.

The company closely monitors the impact of exchange rate fluctuations on its exchange rate risk. The company currently takes no measures to hedge exchange rate risk. However, the Management is responsible for monitoring exchange rate risk and will consider hedging significant exchange rate risk when necessary.

②Sensitivity analysis

As of June 30, 2025, with other risk variables unchanged, if the RMB appreciates or depreciates by 5% against foreign currencies on that day, the company's net profit for the year will increase or decrease by RMB741,700 (comparison period: approximately RMB617,700).

(2) Interest rate risk

The company's interest rate risk mainly arises from long-term bank loans, bonds payable, and other long-term interest-bearing debts. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, and financial liabilities with fixed interest rate expose the Company to fair value interest rate risk. The Company determines the relative scale of fixed-rate and floating-rate contracts according to the market environment at that time.

The Financial Department at the Company's headquarters continuously monitors the Group's interest rate levels. An increase in interest rates will raise the cost of new interest-bearing debt and the interest expenses on the company's existing floating-rate debt, significantly adversely affecting the company's financial performance. Management will make timely adjustments based on the latest market conditions.

As of June 30, 2025, the company had no long-term interest-bearing debts.

## 2. Hedging

### (1) The company carries out hedging business for risk management

Not applicable

### (2) The company carries out eligible hedge business and applies hedge accounting

Not applicable

### (3) The company carries out hedging business for risk management, and is expected to achieve the risk management objectives but has not applied hedge accounting

Not applicable

## 3. Financial assets

### (1) Classification of transfer methods

Not applicable

### (2) Financial assets derecognized due to transfer

Not applicable

**(3) Assets transfer financial assets that continue to be involved**

Not applicable

## 13. Disclosure of fair value

### 1. Ending fair value of assets and liabilities measured at fair value

Not applicable

### 2. Basis for determining the market price of items measured at fair value of the first level on a continuous and non-continuous basis

Not applicable

### 3. Qualitative and quantitative information on valuation techniques and important parameters adopted for continuous and non-continuous Level 2 fair value measurement items

Not applicable

### 4. Qualitative and quantitative valuation techniques and important parameters of sustainable and non-sustainable items measured on the basis of fair value of level 3

Not applicable

### 5. The information of adjustment between the beginning and the end of the book value and analysis on the sensitivity of the unobservable parameters of sustainable and non-sustainable items measured on the basis of fair value of tier three

Not applicable

### 6. Continuous measurement items by fair value, reason for conversion among all levels in the current period and policies for determining the time of conversion

Not applicable

### 7. Change of valuation technique in the current period and reason for change

Not applicable

### 8. Condition of fair value of financial assets and financial liabilities not measured at fair value

Not applicable

### 9. Others

Not applicable

# 14. Related parties and related transactions

## 1. Parent company information

| Parent company name | Registration place | Business nature | Registered capital | Shareholding scale of the parent company in the Company | Voting rights scale of the parent company in the Company |
|---|---|---|---|---|---|
| Shentian Technology Holdings (Shenzhen) Co., Ltd. | Shenzhen | Commercial services | RMB1,166,162,000.00 | 40.17% | 40.17% |

Parent company

Shentian Technology Holdings (Shenzhen) Co., Ltd. is a 100.00% indirectly owned subsidiary of Aviation Industry Corporation of China, LTD.

The ultimate controller of the enterprise is Aviation Industry Corporation of China, LTD.

## 2. Subsidiaries of the Company

See Note X. Equity in other entities: 1 for details about subsidiaries of the Company.

## 3. Joint ventures and associates of the Company

The Company's significant joint ventures or associates are detailed in the Note X. Equity in other entities: 3.

## 4. Other related parties

| Other related parties | Relationship between other related parties with the COOEC |
|---|---|
| Aviation Industry Corporation of China, LTD. and its subsidiaries (hereinafter referred to as "AVIC and its subsidiaries") | Controlled by the same party |
| China Merchants Property Operation & Service Co., Ltd. and its subsidiaries (hereinafter referred to as "CMPO and its subsidiaries") | Associated enterprise of the ultimate controlling party |
| Shanghai Watch Industry Co., Ltd. (hereinafter referred to as "Shanghai Watch Industry") | Associated enterprise of the Company |
| Company directors and senior management (hereinafter referred to as "key management personnel") | Key management personnel |

## 5. Related party transactions

### (1) Related transactions for the purchase and sale of commodities, the provision and receipt of services

Purchase of goods/receipt of services

Unit: yuan

| Related party | Related-party transactions | Amount in the current period | Approved transaction limit | Whether the transaction limit | Amount in the previous period |
|---|---|---|---|---|---|

| | | | | is exceeded | |
|---|---|---|---|---|---|
| AVIC and its subsidiaries | Shopping mall expenses and commodity purchase | 6,239,244.80 | 65,000,000.00 | No | 9,310,081.83 |
| CMPO and its subsidiaries | Mall fees and property management fees | 5,394,613.24 | | No | 5,757,698.71 |
| Total | | 11,633,858.04 | | | 15,067,780.54 |

Sales of goods/ rendering of services

Unit: yuan

| Related party | Related-party transactions | Amount in the current period | Amount in the previous period |
|---|---|---|---|
| AVIC and its subsidiaries | Sales of products and rendering of services | 19,627,421.48 | 25,273,499.68 |
| CMPO and its subsidiaries | Product sales and property management fees | 1,410,539.78 | 1,552,942.31 |
| Shanghai Watch Industry | Sales of products and rendering of services | 2,018,837.18 | |
| Total | | 23,056,798.44 | 26,826,441.99 |

### (2) Associated trusteeship/contracting and commissioned management/outsourcing situation

Not applicable

### (3) Related leasing

The COOEC acted as the lessor:

Unit: yuan

| Lessee | Type of leased asset | Lease income recognized in this period | Lease income recognized in previous period |
|---|---|---|---|
| CMPO and its subsidiaries | House | 25,024.53 | 924,190.75 |
| AVIC and its subsidiaries | House | 281,999.98 | 1,025,500.43 |
| Total | | 307,024.51 | 1,949,691.18 |

The COOEC acted as lessee:

Unit: yuan

| Lessor | Type of leased asset | Rental costs for short-term leases and low-value asset leases for simplified processing (if applicable) | | Variable lease payments not included in the measurement of lease liabilities (if applicable) | | Paid rents | | Interest expense on lease liabilities assumed | | Increase in right-of-use assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount in the current period | Amount in the previous period | Amount in the current period | Amount in the previous period | Amount in the current period | Amount in the previous period | Amount in the current period | Amount in the previous period | Amount in the current period | Amount in the previous period |
| CMPO | House | | | 18,422 | 455.75 | 182,80 | 265,23 | 2,662. | 7,739. | 0.00 | - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| and its subsidiaries | | | | .90 | | 6.26 | 7.02 | 55 | 60 | | 66,765.72 |
| AVIC and its subsidiaries | House | | | | | | 78,102.84 | | 1,463.37 | | -75,092.94 |
| Total | | | | 18,422.90 | 455.75 | 182,806.26 | 343,339.86 | 2,662.55 | 9,202.97 | 0.00 | -141,858.66 |

### (4) Related guarantees

Not applicable

### (5) Loans from and to related parties

Not applicable

### (6) Assets transfer and debt restructuring of related parties

Not applicable

### (7) Remuneration of key management personnel

Not applicable

### (8) Other related party transactions

As at the end of the current year, the balance of deposits placed by the Company in AVIC Finance Company amounted to RMB515,494,103.34, of which the deposit interest received in the current year amounted to RMB528,809.72.

## 6. Receivables from and payable to related parties

### (1) Receivable items

Unit: yuan

| Project | Related party | Balance at the end of the period | | Beginning balance | |
|---|---|---|---|---|---|
| | | Book balance | Provision for bad debts | Book balance | Provision for bad debts |
| Bank deposit | AVIC Finance | 515,494,103.34 | | 498,616,224.42 | |
| Notes receivable | AVIC and its subsidiaries | | | 508,273.49 | |
| Accounts receivable | AVIC and its subsidiaries | 2,847,374.43 | 299,121.84 | 2,894,425.51 | 281,416.75 |
| Accounts receivable | CMPO and its subsidiaries | 229,665.76 | 11,483.29 | | |
| Accounts | Shanghai Watch | 779,600.00 | 31,184.00 | | |

| | | | | | |
|---|---|---|---|---|---|
| receivable | Industry | | | | |
| Other receivables | AVIC and its subsidiaries | 847,287.00 | 42,364.35 | 924,947.00 | 47,070.35 |
| Other receivables | CMPO and its subsidiaries | 77,990.00 | 3,899.50 | 56,000.00 | 2,800.00 |

### (2) Payable items

Unit: yuan

| Project | Related party | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|---|
| (XXXI) Other payables | AVIC and its subsidiaries | 96,200.00 | 358,280.00 |
| (XXXI) Other payables | CMPO and its subsidiaries | 1,771,163.40 | 1,066,456.79 |
| Prepayments | AVIC and its subsidiaries | | 7,500.00 |

### 7. Commitments of related parties

Not applicable

### 8. Others

Not applicable

## 15. Share-based payment

### 1. Overall situation of share-based payment

Not applicable

### 2. Equity-settled share-based payment

Not applicable

### 3. Cash-settled share-based payment

Not applicable

### 4. Share-based payment expenses in the current period

Not applicable

### 5、5. Modification and termination of share-based payment

Not applicable

### 6、Others

Not applicable

## 16. Commitments and contingencies

### 1. Important commitments

As of the balance sheet date, the significant external commitments and impacts of the Company are the lease contracts that the Company has signed and is in the process of performing or preparing to perform, and the financial impacts thereof, which are detailed in Note VII, 47 Lease liabilities and Note VII, 82 Lease.

Except for the above commitments, as of June 30, 2025, the company has no other significant commitments requiring disclosure.

### 2. Contingencies

### (1). Significant contingencies existing on the Balance Sheet Date

Not applicable

### (2) If the company has no important contingencies required to be disclosed, it shall also be explained

There were no significant contingencies required to be disclosed.

### 3. Others

Not applicable

## 17. Events after the balance sheet date

### 1. Important non-adjusting matters

Not applicable

### 2. Profit distribution

Not applicable

### 3. Sales returns

Not applicable

### 4. Notes to other events after the Balance Sheet Date

Not applicable

## 18. Other significant events

### 1. Correction of accounting previous errors

### (1) Retrospective restatement method

Not applicable

### (2) Future applicable law

Not applicable

### 2. Debt restructuring

Not applicable

### 3. Assets replacement

### (1) Exchange of non-monetary assets

Not applicable

### (2) Replacement of other assets

Not applicable

### 4. Annuity plan

Not applicable

### 5. Discontinued operation

Not applicable

### 6. Segment information

### (1) Determination basis and accounting policies for report segments

The Company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The Company's operating segment refers to the component that meets the following conditions at the same time:

(1) The component can generate income and expenses in daily activities;

(2) The management is able to regularly evaluate the operating results of the component in order to determine the allocation of resources to them and evaluate their performance;

(3) The financial position, operating results, cash flows and other relevant accounting information of the component can be obtained.

The Company determines report segments on the basis of operating segments, and the operating segments that meet one of the following conditions are recognized as report segments:

(1) The segment revenue of the operating segment accounts for 10% or more of the total revenue of all segments;

(2) The absolute amount of the segment's profit (loss) accounts for 10% or more of the greater of the total profit of all profitable segments or the total loss of all loss-making segments.

The Company operates a single line of business, primarily the production and sale of watches. Management views and manages this business as a whole and evaluates its operating results accordingly. Therefore, this financial statement does not report segment information.

### (2) Financial information of report segments

Not applicable

### (3) If the company has no report segments, or cannot disclose the total assets and total liabilities of each report segment, it shall explain the reasons

Not applicable

### (4) Other notes

Not applicable

### 7. Other important transactions and events that affect the decision-making of investors

Not applicable

### 8. Others

Not applicable

## 19. Notes to the major items of the Parent Company's Financial Statements

### 1. Accounts receivable

### 1. Disclosure by aging

Unit: yuan

| Aging | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|
| Within 1 year (including 1 year) | 6,501,883.90 | 6,238,972.29 |
| 1-2 years | 4,753,570.97 | 238,812.42 |
| 2-3 years | | 319.04 |
| Over 3 years | 319.04 | |
| 3-4 years | 319.04 | |
| Total | 11,255,773.91 | 6,478,103.75 |

### (2). Disclosure under the methods of provision for bad debts by category

Unit: yuan

| Type | Balance at the end of the period | | | | | Beginning balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | | Book value | Book balance | | Provision for bad debts | | Book value |
| | Amount | Ratio | Amount | Drawing percentages | | Amount | Ratio | Amount | Drawing percentages | |
| Accounts receivable with provision for bad debts by individual | 1,630,556.66 | 14.49% | 1,630,556.66 | 100.00% | 0.00 | 1,631,798.66 | 25.19% | 1,631,798.66 | 100.00% | 0.00 |
| Including: | | | | | | | | | | |
| Accounts receivable with provision for bad debts by combination | 9,625,217.25 | 85.51% | 677,531.75 | 7.69% | 8,947,685.50 | 4,846,305.09 | 74.81% | 214,314.71 | 4.42% | 4,631,990.38 |
| Including: | | | | | | | | | | |
| Combination of receivables from customers | 8,812,633.50 | 78.29% | 677,531.75 | 7.69% | 8,135,101.75 | 4,041,736.34 | 62.39% | 214,314.71 | 5.30% | 3,827,421.63 |
| Combination of related parties within the scope of consolidation | 812,583.75 | 7.22% | | 0.00% | 812,583.75 | 804,568.75 | 12.42% | | | 804,568.75 |
| Total | 11,255,773.91 | 100.00% | 2,308,088.41 | 20.51% | 8,947,685.50 | 6,478,103.75 | 100.00% | 1,846,113.37 | 28.50% | 4,631,990.38 |

Category name of provision for bad debts by individual: accounts receivable from customers

Unit: yuan

| Name | Beginning balance | | Balance at the end of the period | | | |
|---|---|---|---|---|---|---|
| | Book balance | Provision for bad debts | Book balance | Provision for bad debts | Drawing percentages | Reason for provision |
| Receivables from customers | 1,631,798.66 | 1,631,798.66 | 1,630,556.66 | 1,630,556.66 | 100.00% | Poor operation of customers |
| Total | 1,631,798.66 | 1,631,798.66 | 1,630,556.66 | 1,630,556.66 | | |

Category name of provision for bad debts by combination: combination of accounts receivable from customers

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of receivables from customers | 8,812,633.50 | 677,531.75 | 7.69% |
| Total | 8,812,633.50 | 677,531.75 | |

Description of the basis for determining the combination: receivables of the same aging have similar credit risk characteristics.

Name of provision for bad debts by combination: combination of related parties within the scope of consolidation

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of related parties within the scope of consolidation | 812,583.75 | | |
| Total | 812,583.75 | | |

Description of the basis for determining the combination: receivables of the same aging have similar credit risk characteristics.

If the provision for bad debts of accounts receivable is made according to the general expected credit loss model:

Not applicable

### (3) Status of bad debt provision, recovery, or reversal for the period

Provision for bad debts in the current period:

Unit: yuan

| Type | Beginning balance | Change in this period | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Provision | Recovery or reversal | Write-off | Others | |
| Accounts receivable with provision for expected credit losses by individual | 1,631,798.66 | | 1,242.00 | | | 1,630,556.66 |
| Accounts receivable | 214,314.71 | 559,713.02 | 96,495.98 | | | 677,531.75 |

| | | | | | | |
|---|---|---|---|---|---|---|
| with provision for expected credit losses by combination | | | | | | |
| Total | 1,846,113.37 | 559,713.02 | 97,737.98 | | | 2,308,088.41 |

## (4). Situation of accounts receivable actually written off in the current period

Not applicable

## (5) Accounts receivable and contractual assets collected from the debtors which rank the first five at the end of period

Unit: yuan

| Entity name | Ending balance of accounts receivable | Ending balance of contract assets | Ending balances of accounts receivable and contract assets | Proportion in the total ending balance of accounts receivable and contractual assets | Ending balance of provision for bad debts of accounts receivable and provision for impairment of contractual assets |
|---|---|---|---|---|---|
| Summary of accounts receivable which ranks the first five at the end of period | 7,996,400.90 | | 7,996,400.90 | 71.04% | 1,667,674.90 |
| Total | 7,996,400.90 | | 7,996,400.90 | 71.04% | 1,667,674.90 |

## 2. Other receivables

Unit: yuan

| Item | Balance at the end of the period | Beginning balance |
|---|---|---|
| Other receivables | 519,456,909.65 | 659,565,868.48 |
| Total | 519,456,909.65 | 659,565,868.48 |

### (1) Interest receivable

#### 1) Classification of interest receivable

Not applicable

#### 2) Important overdue interest

Not applicable

**3). Disclosure under the methods of provision for bad debts by category**

Not applicable

**4). Status of bad debt provision, recovery, or reversal for the period**

Not applicable

**5) Situation of interest receivable actually written off in the current period**

Not applicable

**(2) Dividends receivable**

**1) Classification of dividends receivable**

Not applicable

**2) Important dividends receivable with aging over 1 year**

Not applicable

**3). Disclosure under the methods of provision for bad debts by category**

Not applicable

**4). Status of bad debt provision, recovery, or reversal for the period**

Not applicable

**5) Situation of dividends receivable actually written off in the current period**

Not applicable

**(3) Other receivables**

**1) Classification of other receivables by nature**

Unit: yuan

| Nature of payment | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|
| Payments of related parties within the scope of consolidation | 518,993,447.05 | 658,724,812.91 |
| Margin and deposits | 129,081.90 | 119,550.00 |
| Others | 391,289.13 | 778,125.19 |
| Total | 519,513,818.08 | 659,622,488.10 |

**2) Disclosure by aging**

Unit: yuan

| Aging | Book balance as at the end of the year | Book balance as at the beginning of the year |
|---|---|---|
| Within 1 year (including 1 year) | 519,335,919.55 | 659,558,728.69 |
| 1-2 years | 115,260.00 | 14,177.51 |
| 2-3 years | 13,056.63 | 9,531.90 |
| Over 3 years | 49,581.90 | 40,050.00 |
| 3-4 years | 9,531.90 | |
| 4-5 years | | 40,050.00 |
| Over 5 years | 40,050.00 | |
| Total | 519,513,818.08 | 659,622,488.10 |

**3). Disclosure under the methods of provision for bad debts by category**

Unit: yuan

| Type | Balance at the end of the period | | | | | Beginning balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book balance | | Provision for bad debts | | Book value | Book balance | | Provision for bad debts | | Book value |
| | Amount | Ratio | Amount | Drawing percentages | | Amount | Ratio | Amount | Drawing percentages | |
| Accounts receivable with provision for bad debts by individual | | | | | | | | | | |
| Including: | | | | | | | | | | |
| Provision for bad debts made by portfolio | 519,513,818.08 | 100.00% | 56,908.43 | 0.01% | 519,456,909.65 | 659,622,488.10 | 100.00% | 56,619.62 | 0.01% | 659,565,868.48 |
| Including: | | | | | | | | | | |
| Combination of margin and deposit | 129,081.90 | 0.02% | 53,556.90 | 41.49% | 75,525.00 | 119,550.00 | 0.02% | 44,025.00 | 36.83% | 75,525.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| receivables | | | | | | | | | | |
| Combination of receivables of related parties within the scope of consolidation | 518,993,447.05 | 99.90% | 0.00 | 0.00% | 518,993,447.05 | 658,724,812.91 | 99.86% | 0.00 | 0.00% | 659,443,468.69 |
| Combination of other financings | 391,289.13 | 0.08% | 3,351.53 | 0.86% | 387,937.60 | 778,125.19 | 0.12% | 12,594.62 | 1.62% | 765,530.57 |
| Total | 519,513,818.08 | 100.00% | 56,908.43 | 0.01% | 519,456,909.65 | 659,622,488.10 | 100.00% | 56,619.62 | 0.01% | 659,565,868.48 |

Category name of provision for bad debts by combination: combination of margin and deposit receivable

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of margin and deposit receivable | 129,081.90 | 53,556.90 | 41.49% |
| Total | 129,081.90 | 53,556.90 | |

Description of the basis for determining the combination: payments of the same nature have similar credit risk characteristics.

Name of provision for bad debts by combination: combination of accounts receivable related parties within the scope of consolidation

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of receivables of related parties within the scope of consolidation | 518,993,447.05 | | |
| Total | 518,993,447.05 | | |

Description of the basis for determining the combination: payments of the same nature have similar credit risk characteristics.

Category name of provision for bad debts by combination: other accounts receivable

Unit: yuan

| Name | Balance at the end of the period | | |
|---|---|---|---|
| | Book balance | Provision for bad debts | Drawing percentages |
| Combination of other financings | 391,289.13 | 3,351.53 | 0.86% |
| Total | 391,289.13 | 3,351.53 | |

Description of the basis for determining the combination: payments of the same nature have similar credit risk characteristics.

Provision for bad debts made according to the general expected credit loss model:

Unit: yuan

| Provision for bad debts | Phase I | Phase II | Phase III | Total |
|---|---|---|---|---|
| | Expected credit losses over the next 12 months | Expected credit loss throughout the duration (no credit impairment) | Expected credit loss throughout the duration (credit impairment has occurred) | |
| Balance as of Jan. 1, 2025 | 56,619.62 | | | 56,619.62 |
| Balance as of January 1, 2025 in the current period | | | | |
| - Transfer to phase II | | | | |
| - Transfer to phase III | | | | |
| - Reversal to phase II | | | | |
| - Reversal to phase I | | | | |
| Provision in this period | 288.81 | | | 288.81 |
| Balance as of June 30, 2025 | 56,908.43 | | | 56,908.43 |

The basis for the division of each stage and the ratio of provisions for bad debts

The phase I is the bad debt provision for other receivables within one year. The phase II is the bad debt provision for accounts receivable over one year that have not been individually assessed. The phase III is the bad debt provision for individually assessed accounts receivable.

Changes in book balance with significant amount of loss provision in the current period

Not applicable

**4). Status of bad debt provision, recovery, or reversal for the period**

Provision for bad debts in the current period:

Unit: yuan

| Type | Beginning balance | Change in this period | | | | Balance at the end of the period |
|---|---|---|---|---|---|---|
| | | Provision | Recovery or reversal | Resale or write-off | Others | |
| Provision for bad debts made by portfolio | 56,619.62 | 288.81 | | | | 56,908.43 |
| Total | 56,619.62 | 288.81 | | | | 56,908.43 |

**5) Situation of other accounts receivable actually written off in the current period**

Not applicable

**6). Other receivables collected from the debtors which rank the first five at the end of period**

Unit: yuan

| Entity name | Nature of amount | Balance at the end of the period | Aging | Proportion in the total ending balance of other receivables | Ending balance of provision for bad debts |
|---|---|---|---|---|---|
| Summary of other accounts receivable which rank the first five at the end of period | Receivables of related parties within the scope of consolidation | 518,993,447.05 | Within 1 year | 99.90% | 0.00 |
| Total | | 518,993,447.05 | | 99.90% | 0.00 |

**7) Presented in other receivables due to centralized management of funds**

Not applicable

## 3. Long-term equity investments

Unit: yuan

| Item | Balance at the end of the period | | | Beginning balance | | |
|---|---|---|---|---|---|---|
| | Book balance | Provisions for impairment | Book value | Book balance | Provisions for impairment | Book value |
| Investment in subsidiaries | 1,592,543,885.91 | | 1,592,543,885.91 | 1,592,543,885.91 | | 1,592,543,885.91 |
| Investments in associates and joint ventures | 51,401,581.98 | | 51,401,581.98 | 50,907,036.84 | | 50,907,036.84 |
| Total | 1,643,945,467.89 | | 1,643,945,467.89 | 1,643,450,922.75 | | 1,643,450,922.75 |

## (1) Investment in subsidiaries

Unit: yuan

| Investee | Beginning balance (book value) | Beginning balance of provision for impairment | Increase/decrease in this period | | | | Ending balance (book value) | Balance of provision for impairment as at the end of the period |
|---|---|---|---|---|---|---|---|---|
| | | | Additional investment | Reduced investment | Provision for impairment accrued | Others | | |
| Shenzhen Harmony World Watch Centre Co., Ltd. | 609,891,973.62 | | | | | | 609,891,973.62 | |
| Shenzhen Harmony E- | 11,684,484.39 | | | | | | 11,684,484.39 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| commerce Co., Ltd. | | | | | | | | |
| Shenzhen FIYTA Precision Technology Co., Ltd. | 182,290,834.31 | | | | | | 182,290,834.31 | |
| Shenzhen FIYTA STD Co., Ltd. | 51,160,141.67 | | | | | | 51,160,141.67 | |
| FIYTA (HONG KONG) LIMITED | 137,737,520.00 | | | | | | 137,737,520.00 | |
| Temporal (Shenzhen) Co., Ltd. | 5,000,000.00 | | | | | | 5,000,000.00 | |
| FIYTA Sales Co., Ltd. | 457,297,183.13 | | | | | | 457,297,183.13 | |
| Liaoning Hengdarui Commerce and Trade Co., Ltd. | 36,867,843.96 | | | | | | 36,867,843.96 | |
| Emile Chouriet Horologe (Shenzhen) Co., Ltd. | 80,613,904.83 | | | | | | 80,613,904.83 | |
| Harmony World Watch Centre (Hainan) Co., Ltd. | 10,000,000.00 | | | | | | 10,000,000.00 | |
| Shenzhen Xunhang Precision Technology Co., Ltd. | 10,000,000.00 | | | | | | 10,000,000.00 | |
| Total | 1,592,543,885.91 | | | | | | 1,592,543,885.91 | |

### (2). Investments in associates and joint ventures

Unit: yuan

| Investment unit | Beginning balance (book | Beginning balance of provis | Increase/decrease in this period | | | | | | | | Ending balance (book | Balance of provision for impair |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Additional inve | Reduced investment | Investment income or | Other comprehensive | Other changes in equity | Cash dividends or profits | Provision for impairment | Others | | |

| | value) | ion for impairment | stment | | loss recognized under equity method | income adjustments | | declared to be distributed | accrued | | value) | ment as at the end of the period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Joint ventures | | | | | | | | | | | | |
| 2. Associated enterprise | | | | | | | | | | | | |
| Shanghai Watch Industry Co., Ltd. | 50,907,036.84 | | | | 494,545.14 | | | | | | 51,401,581.98 | |
| Sub-total | 50,907,036.84 | | | | 494,545.14 | | | | | | 51,401,581.98 | |
| Total | 50,907,036.84 | | | | 494,545.14 | | | | | | 51,401,581.98 | |

### (3) Other notes

Not applicable

### 4. Operating income and operating costs

Unit: yuan

| Item | Amount in the current period | | Amount in the previous period | |
|---|---|---|---|---|
| | Revenue | Cost | Revenue | Cost |
| Primary business | 79,218,866.11 | 25,511,651.20 | 93,442,375.61 | 28,763,610.04 |
| Other business | 2,255,957.31 | | 2,209,518.25 | |
| Total | 81,474,823.42 | 25,511,651.20 | 95,651,893.86 | 28,763,610.04 |

### 5. Investment income

Unit: yuan

| Item | Amount in the current period | Amount in the previous period |
|---|---|---|
| Long-term equity investment income calculated under the equity method | 494,545.14 | 89,872.06 |
| Total | 494,545.14 | 89,872.06 |

### 6. Others

Not applicable

## 20. Additional information

### 1. Breakdown of current non-recurring profit and loss

Unit: yuan

| Item | Amount | Notes |
|---|---|---|
| Losses from disposal of non-current assets | -424,407.32 | |
| Government grants recognized in current profit and loss (excluding those closely related to the Company's normal operations, in compliance with national policies, entitled in accordance with set standards, and having a sustained impact on the Company's profit and loss) | 1,509,835.03 | |
| Profit or loss on fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises and the profit or loss arising from the disposal of financial assets and liabilities, except for effective hedging operations associated with COOEC's normal operations | 247,499.84 | |
| Reversal of receivables tested for impairment separately, provision for impairment | 2,807,146.61 | |
| Non-operating revenue and expenses other than the above-mentioned items | 984,766.23 | |
| Less: income tax effects | 1,056,602.55 | |
| Total | 4,068,237.84 | -- |

Specific circumstances of other items that meet the definition of non-recurring gains and losses:

Not applicable

Description of the definition of non-recurring profit and loss items listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profit or Loss as recurring profit and loss items

Not applicable

### 2. Return on equity and Earnings per share

| Profit in the reporting period | Return on weighted average net assets | Earnings per share | |
|---|---|---|---|
| | | Basic earnings per share (yuan/share) | Diluted earnings per share (yuan/share) |
| Net profit attributable to ordinary shareholders of the COOEC | 2.41% | 0.2034 | 0.2034 |
| Net profits attributable to ordinary shareholders of the COOEC after deducting non-recurring profit or loss | 2.29% | 0.1933 | 0.1933 |

### 3. Differences in accounting data under domestic and overseas accounting standards

#### (1). Differences in net profit and net assets in the financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

Not applicable

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

Not applicable

#### (3) Explanation of the reasons for the differences in accounting data under domestic and overseas accounting standards. If the data has been audited by an overseas audit institution for difference adjustment, the name of the overseas institution shall be indicated

### 4. Others

Not applicable

FIYTA Precision Technology Co., Ltd.

Board of Directors

August 23, 2025