

Stock Code: 000026; 200026

Short Form of Stock: FIYTA; FIYTA B

Announcement No.: 2021-039

FIYTA Precision Technology Co., Ltd.

2021 First Quarter Report, Summary

Section 1 Important Notice, Table of Contents and Definition

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

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

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

Section 2 Company Profile

I. Summary of Accounting/Financial Data

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

No

	Reporting period	Same period of the previous year	Year-on-year increase/decrease in the reporting period
Operation revenue in CNY	1,378,277,735.81	588,361,057.06	134.26%
Net profit attributable to the Company's shareholders, in CNY	118,222,042.23	-12,974,795.53	1,011.17%
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	113,576,505.85	-13,738,773.72	926.69%
Net cash flows arising from operating activities, in CNY	28,711,219.83	-106,747,751.88	126.90%
Basic earning per share (CNY/share)	0.2780	-0.0294	1,045.66%
Diluted earning per share (CNY/share)	0.2780	-0.0294	1,045.66%
Return on equity, weighted average	4.15%	-0.49%	4.64%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the year over the end of the previous year
Total assets (in CNY)	4,412,065,471.64	4,018,712,700.18	9.79%
Net profit attributable to the Company's shareholders, in CNY	2,911,884,821.93	2,799,948,388.09	4.00%

Non-recurring gain/loss items and the amount involved

In CNY

Items	Amount from year beginning to the end of the reporting period	Note
Gain/loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets.	55,838.26	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's business and conform with the national standard amount or quantity)	6,070,986.55	
Other non-operating income and expenses other than the aforesaid items	37,477.18	
Less: Amount affected by the income tax	1,518,765.61	
Total	4,645,536.38	--

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

Inapplicable

II. Total number of shareholders and the statement of the shares held by the top 10 shareholders

1. Total number of the common shareholders and preferred shareholders whose voting rights are restored and shares held by the top 10 shareholders

In shares

Total common shareholders at the end	28,331	Total preference shareholders with the	0
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of the reporting period			voting power recovered at the end of the reporting period (if any)			
Shareholding by top 10 shareholders						
Names of the Shareholders	Nature of the shareholder	Shareholding proportion	Number of shares held	Number of the restricted shares held	Pledging or freezing	
					Status of the shares	Quantity
AVIC International Holding Limited	State corporate	37.40%	162,977,327	0		
ICBC - Fuguo Tianhui Selected Growth Hybrid Securities Investment Fund (LOF)	Domestic non-state-owned legal person	2.75%	12,000,072	0		
Construction Bank of China - Penghua Huizhi Optimized Hybrid Securities Investment Fund	Domestic non-state-owned legal person	2.11%	9,211,000	0		
ICBC - Fuguo Hi-tech Industry Hybrid Securities Investment Fund	Domestic non-state-owned legal person	1.80%	7,829,645	0		
Construction Bank of China - Penghua High Quality Growth Hybrid Securities Investment Fund	Domestic non-state-owned legal person	1.40%	6,103,406	0		
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	Domestic non-state-owned legal person	1.13%	4,943,342	0		
China Merchants Bank Co., Ltd. - Fuguo Sci-Tech Innovation Theme 3-Year Sealed Operation Flexible Configuration Hybrid Securities Investment Fund	Domestic non-state-owned legal person	0.68%	2,963,991	0		
Construction Bank of China - Penghua Selected Growth	Domestic non-state-owned legal person	0.61%	2,645,834	0		

Hybrid Securities Investment Fund						
Bank of Communications - CSCL High Quality Growth Securities Investment Fund	Domestic non-state-owned legal person	0.54%	2,339,400	0		
China Construction Bank Co., Ltd. - Fuguo Sci-Tech Innovation Flexible Configuration Hybrid Securities Investment Fund	Domestic non-state-owned legal person	0.53%	2,290,460	0		
Shares held by top 10 shareholders of unrestricted shares						
Names of the Shareholders	Quantity of unrestricted shares held	Share type				
		Share type	Quantity			
AVIC International Holding Limited	162,977,327	CNY ordinary shares	162,977,327			
ICBC - Fuguo Tianhui Selected Growth Hybrid Securities Investment Fund (LOF)	12,000,072	CNY ordinary shares	12,000,072			
Construction Bank of China - Penghua Huizhi Optimized Hybrid Securities Investment Fund	9,211,000	CNY ordinary shares	9,211,000			
ICBC - Fuguo Hi-tech Industry Hybrid Securities Investment Fund	7,829,645	CNY ordinary shares	7,829,645			
Construction Bank of China - Penghua High Quality Growth Hybrid Securities Investment Fund	6,103,406	CNY ordinary shares	6,103,406			
Construction Bank of China - Penghua Value Superiority Hybrid Securities Investment Fund (LOF)	4,943,342	CNY ordinary shares	4,943,342			
China Merchants Bank Co., Ltd. - Fuguo Sci-Tech Innovation Theme 3-Year Sealed Operation Flexible Configuration Hybrid Securities Investment Fund	2,963,991	CNY ordinary shares	2,963,991			
Construction Bank of China - Penghua Selected Growth Hybrid Securities Investment Fund	2,645,834	CNY ordinary shares	2,645,834			
Bank of Communications - CSCL High Quality Growth Securities Investment Fund	2,339,400	CNY ordinary shares	2,339,400			
China Construction Bank Co., Ltd. - Fuguo Sci-Tech Innovation Flexible	2,290,460	CNY ordinary shares	2,290,460			

Configuration Hybrid Securities Investment Fund			
Explanation on associated relationship or consistent action of the above shareholders	Inapplicable		
Note to the top 10 shareholders involved in margin financing & securities lending (if any)	Inapplicable		

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

No

2. Total Preference Shareholders and the Shareholding by the Top 10 Preference Shareholders

Inapplicable

Section 3 Significant Events

I. Financial Data Summary, Statement of Change in the Financial Indicators and the Causes during the Reporting Period

(I) Items of assets and liabilities

Items	Amount at the end of the reporting period	End of the previous year	Variation proportion (%)	Cause of the movement
Monetary capital	515,870,165.61	353,057,285.71	46.12%	Mainly due to the increase in sales receivables collected from the growth of the operation revenue, the net increase of the bank loans and the increase in subscription payments received for the implementation of the second phase of the equity incentive plan.
Use right assets	150,191,634.60	0.00	100%	Mainly due to the influence from the implementation of the new standards for lease in the current year.
Deferred income tax asset	112,197,900.00	80,913,800.35	38.66%	Mainly due to the influence from the implementation of the new standards for lease in the current year.
Other non-current assets	5,216,861.24	13,536,307.13	-61.46%	Mainly due to decrease of the advance payment for refurbishment of shops.
Advance receipts:	5,358,910.60	9,991,850.67	-46.37%	Mainly due to the decrease in pre-collected rent from the property lease business.
Payroll payable to the employees	78,191,053.79	132,853,462.20	-41.14%	Mainly due to the decrease of the payment for the year-end performance bonus during the reporting period.
Other payables	198,715,349.62	128,577,597.94	54.55%	Mainly due to the increase in repurchase obligations brought about by the implementation of the equity incentive scheme phase II.
Dividends payable	1,069,368.55	1,639,513.77	-34.78%	Mainly due to the influence of the unlocking of the equity incentive scheme Phase II and payment of part of the dividend.
Lease liabilities	152,730,913.89	0.00	100%	Mainly due to the influence from the implementation of the new standards for lease in the current year.
Deferred income tax liability	40,474,373.69	3,067,834.55	1219.31%	Mainly due to the influence from the implementation of the new standards for lease in the current year.
Shares in stock	119,217,908.46	61,633,530.48	93.43%	Mainly due to the implementation of the equity incentive scheme Phase II.
Other comprehensive income	-6,373,398.65	976,871.41	-752.43%	Mainly due to the influence from the change of the translation balance of foreign currency statements.

(II) Profit Statement Items

Items	Reporting period	Same period of the previous year	Variation proportion (%)	Cause of the movement
Operating revenue	1,378,277,735.81	588,361,057.06	134.26%	Mainly due to the growth of the Company's operating performance.
Taxes and surcharges	7,586,076.81	3,674,419.66	106.46%	Mainly due to the increase in taxes and dues brought about from the increase in operation revenue.
Sales costs	280,821,158.83	183,463,601.55	53.07%	Mainly due to the corresponding increase in labor and channel expenses resulted from growth of the operation

				revenue.
R&D expenses	13,209,007.18	9,810,864.52	34.64%	Mainly due to the increase in R&D personnel and the decrease in labor costs during the epidemic in the same period last year.
Financial expenses	10,191,937.77	7,521,614.69	35.50%	Mainly due to the increase of the bank service charges brought about from the increase in operation revenue.
Other income	6,070,986.55	742,609.63	717.52%	Mainly due to the increase in government subsidies received.
Total profit	151,948,990.88	-18,524,043.50	920.28%	Mainly due to the increase of gross profit margin brought about from the increase in operation revenue.
Income tax expenses	33,706,891.38	-5,549,247.97	707.41%	Mainly due to the increase of taxes and fees brought about from the growth of total profit.

(III) Items of Cash Flow Statement

Items	Reporting period	Same period of the previous year	Variation proportion (%)	Cause of the movement
Net cash flows arising from operating activities	28,711,219.83	-106,747,751.88	126.90%	Mainly due to the increase of sales receivables collected brought about from the increase in operation revenue.
Net cash flow arising from investment activities:	-45,193,639.61	-24,341,946.96	-85.66%	Mainly due to increased investment in refurbishment of shops.
Net cash flows arising from financial activities	179,702,677.16	82,992,799.27	116.53%	Mainly due to the net increase of the bank loans and the subscription payments received for the implementation of the Equity Incentive Plan Phase II.

During the first quarter, the domestic mid-to-high-end watch consumption market experienced a continuous growth trend following the second half of last year. According to the statistics of the Swiss Watch Industry FH, the cumulative value of Swiss watch exports to China from January to February increased by 90.38% year-on-year, compared with the increase in 2019 which also reached 47.96%. The Company has always adhered to the concept of high-quality development, continued to tamp basic management, consolidated core competitive advantages, seized market opportunities, and cultivated new growth points. In the first quarter, the operating revenue reached CNY 1.378 billion, a year-on-year growth of 134.26%, and greatly reversed the loss in total profit on year-on-year basis.

During the reporting period, the Company continued to focus on the goal of "value creation" and paid close attention to the implementation of the work. Focusing on "brand power, product power, and channel power", the Company continued to strengthen its core competitive advantages. FIYTA Brand unit price per customer, sales discounts, and gross profit margins continued to increase, series of new products such as MARS 500, Extremity and Heartstrings were successfully launched, and entered shopping mall channels in an orderly way. The year-on-year revenue growth rate reached 58%; on the basis of the continuous improvement of single store output, HARMONY World Watch Retail continued to promote channel expansion. The number of mid-to-high-end channels and brands was further increased. At the same time, it focused on Hainan offshore island tax-free opportunities to promote channel layout. Some duty-free channel projects have been implemented and operation revenue continuously keeps rapid growth. The customer-centric digital operation system has been further implemented, and the contribution to the sales from the potential customer transactions and repurchases of regular customers has been further improved; the new customers of the precision technology business have expanded smoothly, and the operation revenue has grown steadily; the technology reserve and product iteration of the smart wearable business have been propelled in an accelerative way, and the year-on-year operation revenue has experienced a big growth.

During the reporting period, the FIYTA brand was selected as one of the 7th "International Reputation Brands" and was honorably listed in the "Shenzhen Gifts".

During the 14th Five-Year Plan period, China will accelerate the establishment of a "dual circulation" development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement.

The Company keeps optimistic about the growth prospects of the domestic watch consumer market in the future, and shall actively seize the opportunities of the times, continue to strengthen its core competitive advantages, and accelerate the channel layout and structural upgrade; stick to the original aspiration of development, implement the "Big Country Brand" strategy, strengthen high-end precision technology innovation and R&D investment, accelerate self-centered design and development and key watchmaking capabilities; continue to cultivate and promote the development of precision technology and smart wearable businesses. The Company shall take multiple measures simultaneously to enhance the comprehensive competitiveness of various businesses and continue to push the Company's overall operating performance to a new level.

II. Analysis on and explanation of the progress of important issues and their impacts and solutions

1. Matters in Connection with 2018 Restricted A-Share Incentive Scheme (Phase I)

The 24th session of the Ninth Board of Directors held on December 29, 2020 reviewed and approved the Proposal on the Release Conditions having been Satisfied for the First Release Period of 2018 Restricted A-Share Incentive Scheme (Phase I). The 1.357641 million restricted shares (accounting for 0.3116% of the Company's total share capital) that could be lifted this time were listed for trading on February 1, 2021. For the details please refer to the "Indicative Announcement on the First Release of the Restricted Sales Period and the Listing of the Restricted Shares for Trading Involved in the 2018 A-Share Restricted Stock Incentive Scheme (Phase I) 2021-012" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

According to the "Proposal for Repurchase and Cancellation of the Partially Restricted Shares Involved in 2018 Restricted A-Share Incentive Scheme (Phase I)" approved at the 26th Sessions of the Ninth Board of Directors held on February 4, 2021 and 2021 2nd Extraordinary General Meeting held on February 24, 2021, the Company decided to repurchase and cancel a total of 51,359 restricted A-shares that were granted with the restriction but not released to the one retired and one deceased incentive objects in the 2018 Restricted A-Share Incentive Scheme (Phase I). For the details please refer to the "Announcement on Repurchase and Cancellation of Partial Restricted Shares Involved in the 2018 A-Share Restricted Stock Incentive Scheme (Phase I) 2021-019" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

2. Matters in Connection with 2018 Restricted A-Share Incentive Scheme (Phase II)

The 23rd session of the Ninth Board of Directors held on December 4, 2020 and 2021 1st Extraordinary General Meeting held on January 6, 2021 decided to start 2018 Restricted A-Share Incentive Scheme (Phase II) (Draft) and the summary, which was later on reviewed and approved at the 25th session of the Ninth Board of Directors held on January 15, 2021, and the Company eventually granted 7.66 million restrictive A-shares to 135 persons eligible for the incentive. This part of restricted A-shares was all granted by January 15, 2021 and registered for listing by January 29, 2021. After the grant, the Company's total share capital increased to 435,751,881 shares. For the details please refer to the "Announcement on Completion of the Grant Involved in the 2018 Restricted A-Share Incentive Scheme (Phase II) 2021-011" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

According to the "Proposal for Repurchase and Cancellation of the Partial Restricted Shares Involved in 2018 Restricted A-Share Incentive Scheme (Phase II)" approved at the 26th Sessions of the Ninth Board of Directors held on February 4, 2021 and 2021 2nd Extraordinary General Meeting held on February 24, 2021, the Company decided to repurchase and cancel a total of 150,000 restricted A-shares that were granted with the restriction but not released to the one retired incentive object in the 2018 Restricted A-Share Incentive Scheme (Phase II). For the details please refer to the "Announcement on Repurchase and Cancellation of Partial Restricted Shares Involved in the 2018 Restricted A-Share Incentive Scheme (Phase II) 2021-020" disclosed in the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

3. About the Change of Directors, Supervisors and Senior Executives

The 25th Session of the Ninth Board of Directors held on January 15, 2021, reviewed and approved the "Proposal on the Appointment of the General Manager of the Company" and the "Proposal on the Appointment of the Secretary of the Board of the Company" according to which Mr. Pan Bo was appointed as the General Manager, Mr. Chen Zhuo was appointed as the Secretary of the Board with the tenure from the date of approval by the Board of Directors to the date of ending of the Ninth Board of Directors. For the detail, please refer to the "Announcement on the Change of the Senior Executives 2021-010" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

The 26th session of the Ninth Board of Directors of the Company held on February 4, 2021 and 2021 2nd Extraordinary General Meeting held on February 24, 2021 reviewed and passed the "Proposal on the Proposed Change of Directors" according to which Mr. Zhang Zhibiao, Mr. Xiao Yi, Mr. Li Peiyin and Mr. Pan Bo were elected non-independent directors of the Ninth Board of Directors of the Company with the tenure from the date of the approval by the general meeting to the date of expiry of the Ninth Board of Directors. For the detail, please refer to the "Announcement on the Proposed Change of Directors 2021-017" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

The 23rd session of the Ninth Board of Directors of the Company held on February 4, 2021 and 2021 2nd Extraordinary

General Meeting held on February 24, 2021 reviewed and passed the "Proposal on the Proposed Change of Supervisors" according to which Mr. Zheng Qiyuan and Ms. Cao Zhen were elected non-staff supervisors of the Ninth Supervisory Committee the Company with the tenure from the date of the approval by the general meeting to the date of expiry of the Ninth Supervisory Committee. For the detail, please refer to the "Announcement on the Proposed Change of Supervisors 2021-018" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

4. About the Amendment of the Articles of Association

The 26th session of the Ninth Board of Directors held on February 4, 2021 reviewed and approved the "Proposal on the Amendment of the Articles of Association" according to which the relevant articles of the Articles of Association concerning the practical situation upon completion of the award based on 2018 Restricted A-Share Incentive Scheme (Phase II) have been updated. For the detail, refer to the Proposal on the Amendment of the Articles of Association disclosed on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

5. About the Change of Accounting Policies

The 27th session of the Ninth Board of Directors held on March 8, 2021 reviewed and approved the "Proposal on Change in the Accounting Policies". According to the relevant provisions of the "Accounting Standards for Business Enterprises No. 21-Lease" revised by the Ministry of Finance, the Company shall implement the updated standards for lease commencing from January 1, 2021. For the detail, please refer to the "Announcement on Change of the Accounting Policies 2021-030" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn>.

Overview of the Significant Events	Date of disclosure	Inquiry Index of the Website Disclosing Interim Reports
Announcement on the Resolution of 2021 1st Extraordinary General Meeting, 2021-002	January 07, 2021	www.cninfo.com.cn
Announcement on the Change of the Senior Executives of the Company 2021-010	January 16, 2021	www.cninfo.com.cn
"Announcement on Completion of the Grant Involved in the 2018 Restricted A-Share Incentive Scheme (Phase II) 2021-011	January 28, 2021	www.cninfo.com.cn
"Indicative Announcement on the Listing of the Restricted Shares for Trading Released in the First Release Period Involved in the 2018 Restricted A-share Incentive Scheme (Phase I) 2021-012"	January 29, 2021	www.cninfo.com.cn
Announcement on the Proposed Change of Directors 2021-017	February 05, 2021	www.cninfo.com.cn
Announcement on the Proposed Change of Supervisors 2021-018	February 05, 2021	www.cninfo.com.cn
"Announcement on Repurchase and Cancellation of Partial Restricted Shares Involved in the 2018 Restricted A-Share Incentive Scheme (Phase I) 2021-019"	February 05, 2021	www.cninfo.com.cn
"Announcement on Repurchase and Cancellation of Partial Restricted Shares Involved in the 2018 Restricted A-Share Incentive Scheme (Phase II) 2021-020"	February 05, 2021	www.cninfo.com.cn
Proposal on the Amendment of the Articles of Association	February 05, 2021	www.cninfo.com.cn
Announcement on the Resolution of 2021 2nd Extraordinary General Meeting, 2021-023	February 25, 2021	www.cninfo.com.cn
Announcement on the Change of Accounting Policies 2021-030	March 10, 2021	www.cninfo.com.cn

Progress of implementation of the stock repurchase

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

Ended the reporting period, the Company accumulatively repurchased 8,994,086 shares in the Company through a centralized bidding method with the special account for the securities repurchased, accounting for 2.06% of the Company's total share capital. The highest transaction price of the repurchased shares was HK\$6.74 per share, and the lowest transaction price was HK\$5.93/share, the total amount paid was HK\$ 58,207,259.08 (with the stamp duty, commission and other transaction costs exclusive). The repurchase activity complies with the requirements of relevant laws and regulations as well as the Company's established repurchase plan.

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

III. Commitments finished in implementation by the Company's actual controller, shareholders, related parties, acquirer, the Company, etc. in the reporting period and commitments unfinished in implementation during the reporting period

Inapplicable

IV. Financial assets investment

1. Portfolio investment

Inapplicable

2. Investment in derivatives

Inapplicable

V. Progress of the projects invested with the raised capital

Inapplicable

VI. Prediction of the performances from January to June, 2021

Inapplicable

VII. Important contracts for day-to-day operation

Inapplicable

VIII. Finance management on commission

Inapplicable

IX. Outward guarantee against regulations

Inapplicable

XI. Non-operational occupancy of the company's capital by the controlling shareholder and its related parties

Inapplicable

XI. Registration form of the activities, such as reception of survey, communications, interviews, etc. during the reporting period

Reception time	Place of reception	Way of reception	Types of Visitors Received	Visitors Received	Main contents discussed and information provided	Index of Basic Information on the Investigation and Survey
March 25, 2021	Wechat Mini Program Titled "FIYTA Relationship with Investors"	Others	Others	Extensive investors' participation in the Company's 2020 Annual Online Performance Presentation by network remoteness	In order to provide investors with a comprehensive and in-depth understanding of the Company's situation, the Company held a 2020 Online Performance Briefing and conducted communications and exchange with investors on the Company's 2020 operating status, development strategy, watch brand business, watch retail service business, and development of precision technology and smart wearables.	http://irm.cninfo.com.cn/irms/company/companyDetail?stockcode=000026&orgId=gssz0000026

Board of Directors of
FIYTA Precision Technology Co., Ltd.
April 13, 2021