

Stock Code: 000026 200026

Short Form of Stock: FIYTA, FIYTA B

Announcement No: 2020-013

## FIYTA Precision Technology Co., Ltd. 2019 Annual Report, Summary

### I. Important Notice

This summary of the Annual Report is quoted out of the full text of the Annual Report. Investors desirous to understand entirely the Company's operation results, financial position and future development planning are advised to carefully read the full text of the Annual Report which is published in the medium designated by CSRC.

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

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

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

Indication of qualified audit opinion

Inapplicable

The profit distribution preplan or the preplan for conversion of reserve into capital for the reporting period reviewed by the Board of Directors

Is there any public reserve converted into capital stock

No

The profit distribution preplan reviewed and approved by the Board of Directors is summarized as follows: With the total capital stock as at the date of record as the base, the Company would distribute cash dividend at the rate of CNY 2 for every 10 shares (with tax inclusive), bonus share at the rate of 0 share for every 10 shares (with tax inclusive) to the whole shareholders and shall capitalize no reserve.

Profit Distribution Preplan for Preferred Shares during the Reporting Period Approved by the Resolution of the Board of Directors

Inapplicable

### III. Company Profile

#### I. Company Information

Short form of the stock:	FIYTA and FIYTA B	Stock Code	000026 and 200026
Stock Exchange Listed with	Shenzhen Stock Exchange		
Liaison Persons and Communication Information	Secretary of the Board	Securities Affairs Representative	
Name	Pan Bo	Zhang Yong	
Office Address	18th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	
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## 2. Summary of the Principal Business or Leading Products during the Reporting Period

### (1) Principal Business and Operation Model

FIYTA is engaged in main business of watch brand management and brand watch retails. In respect of the technological nature, it belongs to precision technology industry. Depending on its accumulated technology and industrial advantages in the high-end precision technology field, the Company is also actively exploring business growth opportunities in new fields such as precision technology and smart watches.

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

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

Globally, the high-end luxury watch market is mainly controlled by the Swiss watch brands, which are mainly concentrated in brand groups such as Swatch, Richemont, LVMH and Kering. In addition, independent brands such as Patek, Philippe and Rolex also have great influence. In the medium and low end market, it is mainly composed of partial Swiss watch brands, Japanese brands, fashion brands and home-made brands, with fashion style and classic style as the main direction. In recent years, smart watches have developed rapidly, and have won the favor of tech-savvy and sports-savvy citizens.

According to the "China Luxury Consumption Report 2019" released by McKinsey China, Chinese's luxury consumption last year at home and abroad reached CNY 770 billion, accounting for one-third of global luxury consumption. From 2012 to 2018, more than a half of the growth in the global luxury market came from China. Based on the Swiss export market statistics, Mainland China ranked the third; Hong Kong has ranked the first for a long time, which shows that Chinese people still mainly consume foreign-made watches, and the domestic market has great potential for growth. According to an estimate made by the Chinese Academy of Industry Economy Research, the home-made watch market size is about CNY 70 billion.

The Brand "FIYTA" is one of China's most well-known watch brands that have grown up under the market economy after China's reform and opening-up, and its sales scale has always been at the forefront of the market. The Company has always practiced the original intention of building an international watch brand, relying on the precision manufacture technology, brand influence and channel deep ploughing in the aviation industry, and continued to innovate and breakthrough. The Brand "FIYTA" is one of the world's three major space watch brands. In 2017, the brand was selected in the "Made in China" brand plan by the Ministry of Commerce; "FIYTA won the "China Grand Awards for Industry" in 2018, and was honorably put on the "70 Top Brands for the 70th Anniversary of the Founding of New China" list in 2019.

At the same time, the Company introduced Swiss watches to the domestic market earlier, and met the diversified demands of consumers for watch brands through the HARMONY watch retail business channel. After more than two decades' development, Harmony World Watches has been operating brand watch retail business in more than 60 cities across the country and has nearly 200 chain stores. It has established abundant brand resources and good operating ability, and its market share ranks domestically forefront in the watch retail industry.

## 3. Summary of Accounting/Financial Data

### (1) Summary of Accounting/Financial Data in the Past Three Years

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

No

In CNY

	2019	2018	Increase/decrease in the reporting year over the previous year	2017
Operating revenue	3,704,210,734.90	3,400,450,599.90	8.93%	3,345,809,703.98
Net profit attributable to the Company's shareholders	215,909,014.15	183,835,095.29	17.45%	140,216,258.28

Net profit less the non-recurring profit/loss attributable to the Company's shareholders	199,678,661.09	162,758,061.00	22.68%	123,918,527.75
Net cash flows arising from operating activities	444,820,768.61	331,627,789.62	34.13%	564,954,561.97
Basic earning per share (CNY/share)	0.4943	0.4190	17.97%	0.3196
Diluted earning per share (CNY/share)	0.4943	0.4190	17.97%	0.3196
Return on equity, weighted average (%)	8.21%	7.30%	0.91%	5.79%
	End of 2019	End of 2018	Increase/decrease of the end of the reporting year over the end of the previous year	End of 2017
Total assets	3,760,923,285.37	3,599,691,650.26	4.48%	3,579,789,692.90
Net assets attributable to the Company's shareholders	2,654,533,766.99	2,570,134,782.90	3.28%	2,467,967,361.20

## (2) Summary of Accounting Data Based on Quarters

In CNY

	The first quarter	The second quarter	The third quarter	The fourth quarter
Turnover	893,389,751.73	891,646,268.50	954,666,662.24	964,508,052.43
Net profit attributable to the Company's shareholders	64,359,084.46	59,136,376.44	55,235,304.48	37,178,248.77
Net profit less the non-recurring profit/loss attributable to the Company's shareholders	61,517,359.28	52,109,787.41	55,447,049.05	30,604,465.35
Net cash flows arising from operating activities	10,730,388.47	148,284,261.90	145,713,264.14	140,092,854.10

Are the above financial indicators or their totals significantly different from the financial indicators disclosed by the Company in the quarterly and semi-annual reports?

No

## 4. Capital Stock and Shareholders

### (1) Quantity of shares held by the common shareholders and preferred shareholders whose voting rights are restored and shareholding by the top 10 shareholders

In shares

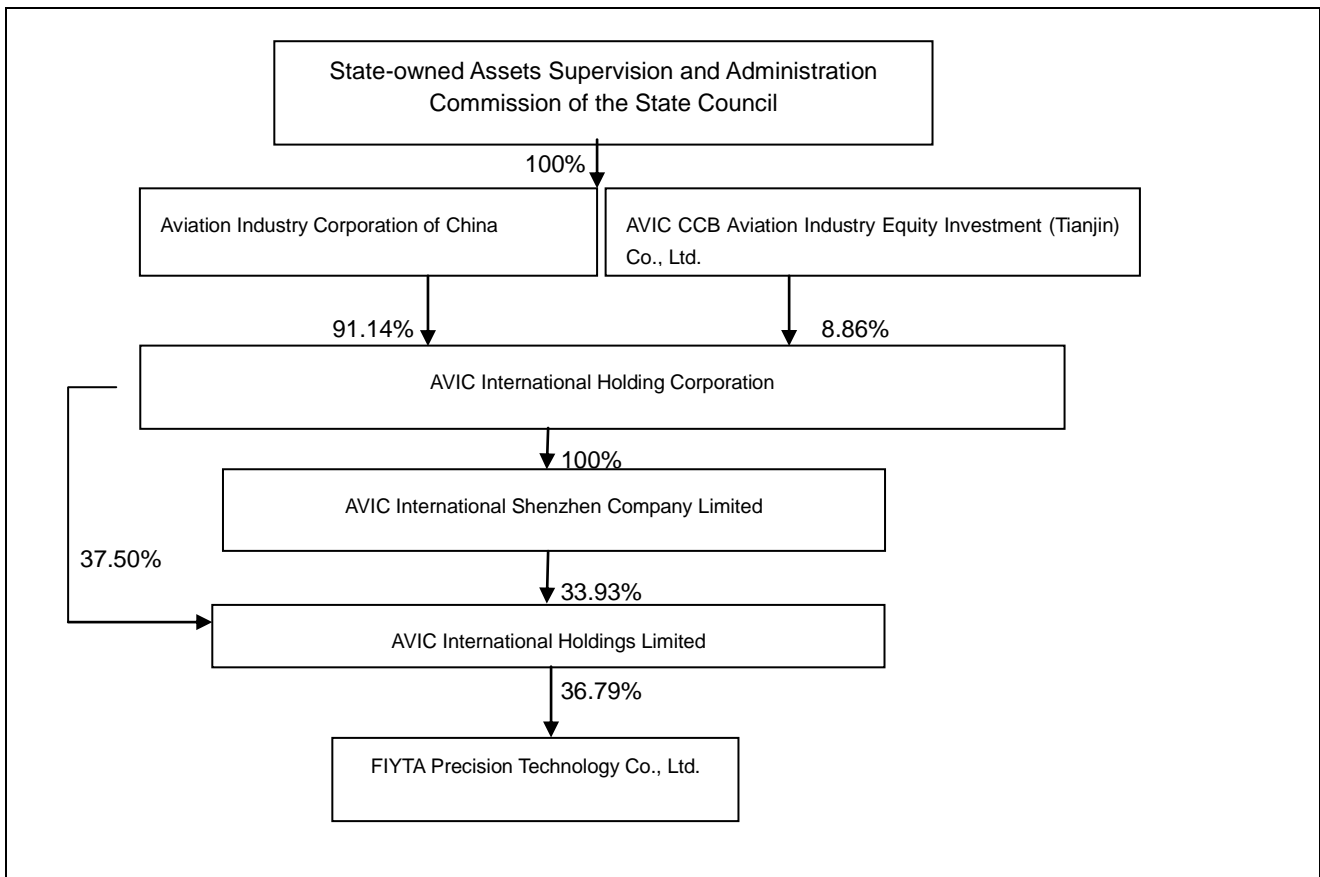
Names of the Shareholders	Nature of the shareholder	Shareholding proportion	Shareholding quantity	Number of the restricted shares held	Pledging or freezing	
Shareholding by top 10 shareholders					Status of the shares	Quantity
AVIC International Holding Limited	State corporate	36.79%	162,977,327	0		
#Yang Zugui	Domestic natural person	3.39%	15,023,406	0		

Basic Endowment Insurance Fund Portfolio 1005	State-owned legal person	0.43%	1,882,800	0		
Huang Haitang	Domestic natural person	0.36%	1,610,000	0		
Na Zhizhong	Domestic natural person	0.34%	1,495,000	0		
High-Flyer Asset Management (Zhejiang) Co., Ltd. - High-Flyer Quant Qingxi No. 2 Private-equity Fund	Domestic non-state-owned legal person	0.26%	1,149,993	0		
# Liang Lu	Domestic natural person	0.23%	1,030,700	0		
Zhang Linling	Domestic natural person	0.23%	1,000,000	0		
Industrial and Commercial Bank of China Co., Ltd. - HUITIANFU Technology Innovation Flexible Configuration Mixed Securities Investment Fund	Domestic non-state-owned legal person	0.18%	811,600	0		
Liang Shaoyun	Domestic natural person	0.18%	781,312	0		
Explanation on associated relationship or consistent action of the above shareholders	Inapplicable					
Note to the shareholder(s) involved in the securities margin trading (if any)	Inapplicable					

**(2) Total preference shareholders and the shareholding by the top 10 preference shareholders**

Inapplicable

**(3) Block Diagram of the Ownership and Control Relations between the Company and the Actual Controller**



## 5. Company Bond

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

No

## III. Discussion and Analysis on the Operation

### 1. Operation Summary in the Reporting Period

In 2019, the growth of domestic retail consumption slowed down and was clearly differentiated. Domestic brands encountered pressure from consumer upgrading, channel upgrading, and smart wears, etc. Facing the challenges, the Company took “cost reduction and efficiency improvement” and “innovation and development” as its main line, calmly responded to the downward pressure on the market, and jointly promoted continuous breakthroughs in operating performance to further enhance its competitiveness. In the reporting period, the Company realized revenue amounting to CNY 3,704.2107 million with year-on-year growth of 8.93% and realized total profit amounting to CNY 276.2336 million with a year-on-year growth of 19.48%. The Company once again achieved a historical record in revenue and total profit.

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

#### I. Making solid progress in improving quality and efficiency, and achieving further breakthrough in high-quality development

During the reporting period, the Company focused on strengthening cost control, lean supply chain construction, and so on to solidly promote cost reduction and efficiency, continued to optimize the organization’s operating model, and actively promoted the construction of driving power mechanism and full coverage. Thanks to the implementation of various tasks to improve quality and efficiency, the Company has continuously improved its efficiency in assets, operation, personnel, and organization. During the reporting period, the Company’s inventory turnover rate reached 1.23 times, an increase of 0.13 times over the same period last year; the core channel yield increased by more than 10% year-on-year, and per capita profit increased by more than 20% year-on-year. While continuing to make breakthrough in high-quality

development, the Company has further strengthened its organizational capabilities.

## II. Promoting the Reshaping of the Brand "FIYTA" and Further Enhancing Brand Influence

During the reporting period, the "FIYTA" brand followed the trend of consumption upgrading, continued to focus on customer demand, concentrated itself on professional watchmaking, refined aesthetics and Chinese culture, strengthened the brand's core DNA, and actively promoted the brand reshaping around the "Brand Power, Product Power, and Channel Power". The reporting period was the 9th consecutive year when the "FIYTA" brand participated in BASELWORLD. The Company continued to exhibit a number of heavyweight new products in the same hall with the internationally renowned brands in Hall 1; also successfully held the "FIYTA" Time Medal Brand Ceremony to further convey the professional watchmaking spirit and independent aesthetic design brand concept to consumers and partners, continued to deduct the artistic exploration of "Flying", and interpreted the extraordinary spiritual outlook of making progress; launched in succession new products such as the "Master Series" Dunhuang-themed wristwatch, "Mach series" "J-20" joint limitation edition watch, "Attack-11" joint design wristwatch, Heartstring Series, and "Good Character" Series, etc. which have been really loved by consumers. In 2019, the "FIYTA" brand was also the only watch brand listed on the "70 Brands at the 70th Anniversary of the Founding of New China" and won the "People's Ingenuity Brand Award 2019". The brand has been continuously improved in the industry status and brand influence.

## III. Further Strengthening Investment in R & D and design, and Continuing to Build Technological Hard Power

During the reporting period, the Company further increased investment in R&D technology around the design and development of its own driving units, manufacture of key components, R & D and application of new materials, and the construction of high-end watchmaking processes, enhanced core technology advantages, and shortened the gap with the global advanced level. In 2019, the Company continued to make breakthroughs in independent R & D of the driving units and application of new materials, launched in succession three self-developed driving units, and realized batch application of such new materials as Grade-5 titanium, Damask steel, etc. The Company applied for 37 patents throughout the year, including 26 invention and utility model patents, and took a lead or participated in the formulation and revision of 4 national and industry standards. The company was identified as the "National Intellectual Property Advantageous Demonstration Enterprise in 2019".

## IV. Consolidating Channel Advantages and Continuing to Promote Channel Upgrading and Efficiency Improvement

During the reporting period, the Company continued to promote the adjustment and upgrading of watch retail channels and the enhancement of efficiency. The Company actively promoted own brand retail channels to be stationed in shopping malls, "HARMONY" seized the growth opportunities of domestic medium and high-end watch brands at the price of over CNY 10,000, continued to strengthen the core business district layout, enhanced excellent operations and the single store output, average customer unit price, sales gross profit rates have steadily increased. Meanwhile, the Company is also rapidly promoting the pilot application of digital retail solutions to accelerate the digitization of stores, membership, merchandise and management.

## V. Cultivating New Growth Points, and Continuing to Maintain Rapid Growth of New Businesses

During the reporting period, the Company continued to promote the development of precision technology business and the exploration of smart watch business, relying on the precision technology advantages accumulated by professional watchmaking and a relatively mature industrial foundation. In 2019, the Company continued deep ploughing of the core market of precision technology business, opened business cooperation with leading companies in various industries, and its operating income increased by 29% year-on-year; the Company continued to invest resources to accelerate the smart watch business layout. The "Jeep" brand smart watches and professional teams jointly promoted iterative product development and technology upgrading. The Company launched three new products, including smart whole realm F02, F02 ESIM version and strong battery life A01, of which the ESIM version has become first smart watches officially certified by China Unicom, and has laid a technological advantage in the field of communications. The Company has continued to maintain quick growth in smart watch business.

Movement of the Major Financial Items in 2019:

### Balance sheet items

Items	Ending balance	Opening balance	Variation proportion	Cause of the movement
Monetary capital	316,668,565.09	164,828,059.97	92.12%	Increase of the net flow-in mainly from operating activities.
Notes receivable	10,596,431.31	7,051,846.85	50.26%	Increase of the receivables arising from growth of the precision technology business scale.
Construction-in-process	-	12,041,126.00	-100.00%	Mainly due to the construction-in-process converted into fixed assets.
Advance receipts:	23,433,463.57	16,459,445.00	42.37%	Mainly due to the increase of the payments received and influence of partial outstanding receivables.
Taxes payable	24,064,803.00	55,923,171.92	-56.97%	Mainly due to the influence from the increase of procurements and the tax policy at the end of the year.
Other payables	119,616,721.63	71,819,930.30	66.55%	Mainly due to the increase of the equity incentive money payable

				to employees, refurbishment deposit and the down payment for lease.
Other comprehensive income	-940,209.09	-5,442,139.78	82.72%	Mainly due to movement of the translation balance of foreign currency statements

**Profit Statement Items**

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Variation proportion	Cause of the movement
Return on Investment	1,787,907.10	1,001,545.06	78.51%	Mainly due to the influence from the profit increase of Shanghai Watch Industry in the current year.
Loss from impairment of credit	-16,640,961.07	0	Inapplicable	Influence from the implementation of the standards for new financial instruments.
Loss from impairment of assets	-4,295,134.47	-3,264,956.18	31.55%	Mainly due to the decrease of the provision for the price falling of inventories and the influence from presentation caused by the implementation of the standards for new financial instruments in the current year.
Income from disposal of assets	-926,118.60	-181,302.24	-410.81%	Mainly due to the loss arising from the disposal of the auxiliary facilities and equipment of Xi'an FIYTA Building in the current year.
Non-operating income	4,754,105.30	1,446,357.53	228.70%	mainly due to increase of the compensation received by some "HARMONY" stores in the reporting year.
Non-operating expenditures	1,400,188.87	652,514.97	114.58%	Mainly due to increase of the loss arising from adjustment of partial stores.

**Cash Flow Statement Items**

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Variation proportion	Cause of the movement
Other operation activity related cash receipts	93,832,379.85	49,628,593.69	89.07%	Mainly due to the increase of the property margin received in the current year.
Net cash flows arising from operating activities	444,820,768.61	331,627,789.62	34.13%	Mainly due to increase of the recoveries arising from the sales growth in the current year and at the same time decrease of the tax payment.
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	626,107.64	53,280.03	1075.13%	Mainly due to increase of the fixed assets disposed in the current year.
Net cash flow arising from capital-raising activities	-126,755,283.74	-207,831,024.31	39.01%	Mainly due to decrease of repayment of the bank loans over the same period of the previous year in the current year.
Influence of the change of exchange rate on the cash and cash equivalent	468,366.93	702,253.60	-33.31%	Mainly due to the influence of the change of exchange rate.
Net increase of cash and cash equivalents	152,470,505.12	-22,324,831.35	782.96%	Mainly due to net flow-in of operating activities and at the same time decrease of repayment of the bank loans over the same period of the previous year in the current year.
Ending balance of cash and cash equivalents	315,093,565.09	162,623,059.97	93.76%	Mainly due to net flow-in of operating activities and at the same time decrease of repayment of the bank loans over the same period of the previous year in the current year.

**2. Did there exist any significant change in the principal business during the reporting period**

No

**3. Products taking over 10% of the prime operating revenue or prime operating profit of the Company**

In CNY

Product description	Revenue	Operating profit	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	Year-on-year increase/decrease of operating profit over the same period of previous year	Year-on-year increase/decrease of gross profit rate over the same period of previous year
Watch brand business	1,110,678,489.04	330,952,343.65	70.20%	0.76%	-0.95%	0.51%
Watch retail and services	2,352,930,477.41	1,779,026,456.80	24.39%	12.53%	12.82%	-0.20%
Precision technology business	91,341,945.34	17,624,342.11	19.29%	29.12%	55.84%	3.30%
Leases	132,005,033.07	103,826,863.43	78.65%	11.56%	8.32%	-2.36%
Others	17,254,790.04	11,921,631.32	69.09%	-4.69%	-30.69%	-25.92%

#### 4. Does there exist operation seasonality or periodicity necessary to be paid special attention to

No

#### 5. Note to the Significant Change in Operation Revenue, Operation Costs, Total Amount of Composition of the Net Profit Attributable to the Company's Common Shareholders during the Reporting Period over the Previous Reporting Period

Inapplicable

#### 6. Listing Suspension or Delisting Possibly to be Confronted with

Inapplicable

#### 7. Matters in Connection with the Financial Report

##### (1) Explanation on the Changes in the Accounting Policy, Accounting Estimate, and Accounting Method in Comparison with the Financial Report of the Previous Year

The Ministry of Finance issued a series of new standards for financial instruments on March 31, 2017 and May 2, 2017, and required domestic listed companies to take effect from January 1, 2019. According to the regulations, the Company would implement the aforesaid new rules and make change of the corresponding accounting policies. However, this would produce no significant impact on the Company's current and previous net profit, total assets and net assets. For details, please refer to the "Announcement on Change of the Accounting Policies 2019-026" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn/> on April 23, 2019.

On April 30, 2019, the Ministry of Finance promulgated the "Circular on Amending and Issuing the General Corporate Financial Statement Templates for the Year 2019" (CAI KUAI [2019] No. 6) (hereinafter referred to as the "Amendment Circular"), according to which general corporate financial statement templates should be amended and non-financial enterprises are required to implement the Accounting Standards for Business Enterprises to compile the 2019 interim financial statements and annual financial statements, as well as financial statements for subsequent periods, in accordance with the requirements of the Accounting Standards for Business Enterprises and the Amendment Circular. According to the regulations, the Company would implement the aforesaid new rules and make change of the corresponding accounting policies. However, this would produce no significant impact on the Company's current and previous net profit, total assets and net assets. For details, please refer to the "Announcement on Change of the Accounting Policies 2019-044" disclosed by the Company on the Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn/> on Thursday, August 15, 2019.

##### (2) Explanation on Serious Accounting Errors Occurred during the Reporting Period Necessary to be Restated Retrospectively

Inapplicable



**(3) Explanation on the Changes in the Scope of the Consolidated Statements in Comparison with the Financial Report of the Previous Year**

Inapplicable

FIYTA Precision Technology Co., Ltd.  
Board of Directors  
March 20, 2020