

FIYTA HOLDINGS LTD.

2017 Annual Report, Summary

1. 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.

With the exception of the following directors, all the other directors personally attended the Board Meeting for reviewing the Annual Report.

Names of the directors failed in attending the meeting personally	Posts of the directors failed in attending the meeting personally	Cause of failure in attending the meeting personally	Names of the attorneys
Wang Mingchuan	Director	Business trip	Chen Libin
Xiao Zhanglin	Director	Business trip	Wang Bo

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.

The profit distribution preplan reviewed and approved by the said board meeting is: with the Company's total share capital being 438,744,881 shares as the base, the Company would distribute cash dividend at the rate of CNY 2.00 for every 10 shares (with tax inclusive) and bonus share at the rate of 0 share (with tax inclusive) to the whole shareholders and no reserves would be converted into share capital.

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

Inapplicable

II. Basic Information of the Company

1. Profile

Short form of the stock:	FIYTA A, FIYTA B	Stock Codes:	000026 and 200026
Stock Exchange Listed with	Shenzhen Stock Exchange		
Liaison Persons and Communication Information	Secretary of the Board	Securities Affairs Representative	
Names	Lu Wanjun	Zhang Yong	
Office Address	20 th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	20 th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	
Tel.	0755—83348369	0755—83348369	
Fax	0755—86013669	0755—86013669	
E-mail	investor@fiyta.com.cn	investor@fiyta.com.cn	

2. Principal Businesses in the Reporting Period

(1) Principal Businesses and Business Model

FIYTA has been concentrating itself in watch industry under the strategy of brand building and has formed a proprietary product brand cluster represented by FIYTA watch and watch retail network brand represented by HARMONY; has been continuously improving watch R & D, design and precision manufacture, enthusiastically carrying forward integration and upgrading of the key value chain, has preliminarily reached the vertical integration based brand development strategy

(2) Development Status of Watch Industry and the Company's Position in the Industry

In the reporting year, the revival of the global economy experienced frequent secret worry and China's domestic GDP growth rate turned to "medium-high speed" from the previous "high speed". Facing the complicated and uncertain macro-environment and market change, the Company kept "deep ploughing" in its principal business, fully excavated the market potential, actively coped with the market challenge, accelerated business transformation and management upgrading and achieved remarkable economic performance. In 2017, the Company set a new historical record in operation revenues. The Company achieved good growth in the business of its own proprietary product brands represented by FIYTA watches and watch retail channels represented by HARMONY: where revenues from the business of FIYTA watches had a year-on-year growth of 9.21% and that from the business of HARMONY had a year-on-year growth of 13.36%. After three decades' courageous advance, FIYTA has successfully become a leader of China's watch industry.

3. Summary of Accounting/Financial Data

(1) Summary of Accounting Data and Financial Indicators over 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

	2017	2016	Year-on-year increase/decrease	2015
Operation revenues in CNY	3,345,809,703.98	2,993,864,561.43	11.76%	3,162,196,212.90
Net profit attributable to the Company's shareholders, in CNY	140,216,258.28	110,662,681.59	26.71%	121,702,057.44
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	123,918,527.75	97,200,540.64	27.49%	113,441,715.91
Net cash flows arising from operating activities, in CNY	564,954,561.97	455,759,094.15	23.96%	396,236,992.41

Basic earning per share (CNY/share)	0.3196	0.2522	26.72%	0.3099
Diluted earning per share (CNY/share)	0.3196	0.2522	26.72%	0.3099
Return on equity, weighted average (%)	5.79%	4.74%	1.05%	7.24%
	End of 2017	End of 2016	Increase/decrease at the end of the year over the end of the previous year	End of 2015
Total assets, in CNY	3,579,789,692.90	4,004,897,562.72	-10.61%	4,246,670,045.02
Net assets attributable to the Company's shareholders, in CNY	2,467,967,361.20	2,371,370,535.17	4.07%	2,299,215,650.21

(2) Financial Data Summary based on Quarters

In CNY

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating revenue	817,002,183.65	782,538,960.70	876,113,517.26	870,155,042.37
Net profit attributable to the Company's shareholders	45,319,028.27	41,389,796.49	49,839,227.96	3,668,205.56
Net profit attributable to the Company's shareholders less the non-recurring profit and loss	45,377,622.54	40,560,834.40	49,457,070.83	-10,049,707.46
Net cash flows arising from operating activities	122,917,899.12	153,797,761.41	86,600,298.96	201,638,602.48

Does there exist significant difference in the foregoing financial data or their total sum from the relevant financial data as disclosed in the quarterly reports and/or semi-annual report.

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

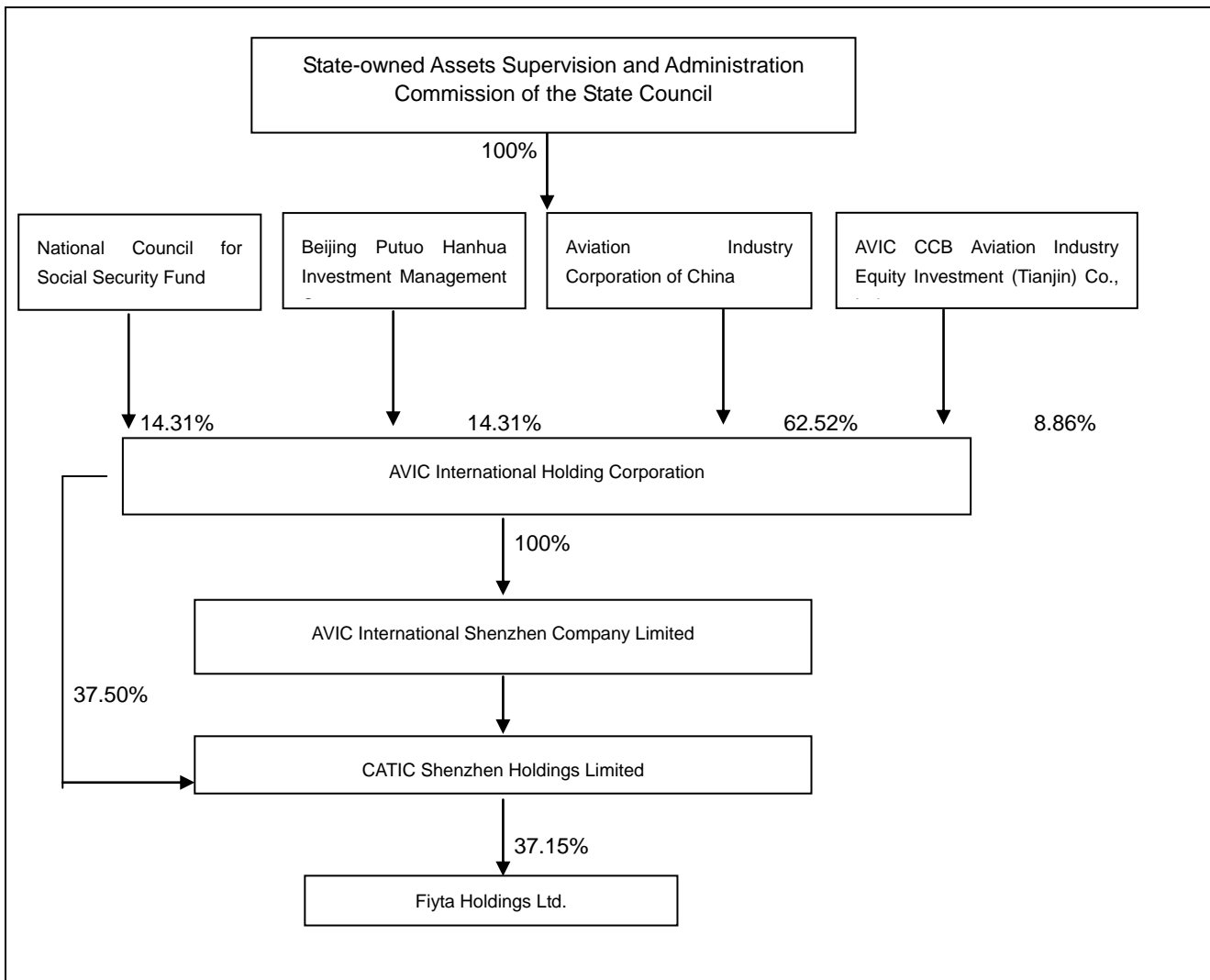
Total common shareholders in the reporting period	35,156	Total common shareholders at the end of the month before the date of disclosing the annual report	33,796	Total preference shareholders with the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)	0	Total preference shareholders with the voting power not recovered at the end of the month before the day of disclosing the annual report (if any) (Refer to Note 8)	0	
Shares held by the shareholders holding over 5% shares or the top ten shareholders								
Shareholder names	Shares held by the top ten shareholders	Shares held by the top ten shareholders (%)	Quantity at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted shares held	Number of the non-restricted shares held	Pledging or freezing	
							Status of the shares	Quantity
CATIC Shenzhen Holdings Limited	State-owned corporate	37.15%	162,977,327	0	0	162,977,327		
Chongqing International Trust Co., Ltd. - RONGXINTONG Series Unitrust No.10	Domestic non-state-owned corporate	2.15%	9,421,680	918,900	0	9,421,680		
#Yang Zugui	Domestic natural person	2.09%	9,163,469	1,909,400	0	9,163,469		
Chongqing International Trust Co., Ltd. - YUXIN Trust No.2	Domestic non-state-owned corporate	2.07%	9,103,318	0	0	9,103,318		
MANULIFE TEDA Fund — Minsheng Bank — MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program	Domestic non-state-owned corporate	1.15%	5,043,559	0	0	5,043,559		

Xizang Investment Co., Ltd.	State-owned corporate	1.13%	4,976,551	0	0	4,976,551		
Guangdong Junye Investment Co., Ltd.	Domestic non-state-owned corporate	1.12%	4,924,710	1,577,500	0	4,924,710		
Golden Eagle Fund-Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program	Domestic non-state-owned corporate	0.77%	3,369,329	-1,305,000	0	3,369,329		
Shenzhen Heli Fengyuan Commerce & Trade Co., Ltd.	Domestic non-state-owned corporate	0.75%	3,300,000	-14,781	0	3,300,000		
Shenzhen Qianye Huirong Investment Co., Ltd.	Domestic non-state-owned corporate	0.68%	3,000,000	-76,400	0	3,000,000		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any) (Refer to Note 3)	Of the top 10 shareholders, MANULIFE TEDA Fund - Minsheng Bank—MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program, Xizang Investment Co., Ltd. 及 Golden Eagle Fund- Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program are all the shareholders that have participated in the Company's non-public issuing; the new shares subscribed by them got listed with Shenzhen Stock Exchange on January 15, 2016; of them, the restricted shares were not allowed to be listed for trading or assigned within 12 months commencing from the first day of listing. The aforesaid restriction on sales has been released since January 16, 2017.							
Explanation on associated relationship or consistent action of the above shareholders	Of the top 10 shareholders, both Chongqing International Trust Co., Ltd. - RONGXINTONG Series Unitrust No.10 and Chongqing International Trust Co., Ltd. - YUXIN Trust No.2 are subordinate to Chongqing International Trust Co., Ltd. and both are holding totally 18,524,998 shares in the Company, taking 4.22% of the Company's total shares.							
Shareholding of top 10 shareholders of unrestricted shares								
Shareholder's Name	Quantity of unrestricted shares held at the end of the reporting period	Share type						
		Share type	Quantity					
CATIC Shenzhen Holdings Limited	162,977,327	A-shares	162,977,327					
Chongqing International Trust Co., Ltd. - RONGXINTONG Series Unitrust No.10	9,421,680	A-shares	9,421,680					
#Yang Zugui	9,163,469	A-shares	9,163,469					
Chongqing International Trust Co., Ltd. - YUXIN Trust No.2	9,103,318	A-shares	9,103,318					
MANULIFE TEDA Fund — Minsheng Bank — MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program	5,043,559	A-shares	5,043,559					
Xizang Investment Co., Ltd.	4,976,551	A-shares	4,976,551					
Guangdong Junye Investment Co., Ltd.	4,924,710	A-shares	4,924,710					
Golden Eagle Fund- Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program	3,369,329	A-shares	3,369,329					
Shenzhen Heli Fengyuan Commerce & Trade Co., Ltd.	3,300,000	A-shares	3,300,000					
Shenzhen Qianye Huirong Investment Co., Ltd.	3,000,000	A-shares	3,000,000					
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders.	Of the top 10 shareholders, both Chongqing International Trust Co., Ltd. - RONGXINTONG Series Unitrust No.10 and Chongqing International Trust Co., Ltd. - YUXIN Trust No.2 are subordinate to Chongqing International Trust Co., Ltd. and both are holding totally 18,524,998 shares in the Company, taking 4.22% of the Company's total shares.							
Note to the top 10 shareholders involved in margin financing & securities lending (if any) (Refer to Note 4)	Inapplicable							

(2) Statement of total preferred shareholders and shares held by top 10 preferred shareholders

Inapplicable

(3) Equity and Control Relationship between the Company and the Actual Controller Disclosed in a Form of Block Diagram



5. Bond Related Information

Were there any bonds which have been publically issued and listed with the stock exchange but have not yet been due or have not been entirely cashed despite that they have been due by the day when this Annual Report is approved for issuing?

No

III. Discussion and Analysis of the Management

1. Summary of Business during the Reporting Period

Does the Company need to comply with the requirements on information disclosure for special industries?

No

In 2017, facing the external economic environment of gradual revival but full of uncertainty, the Company insisted on the idea of development and brand strategy, practiced the Company's value of "customer orientation, good faith, cooperation, learning and innovation and high speed" with performance improvement as its objective, continued to work hard on the principal business, unceasingly optimized the organization structure, improved the process system, actively carried forward business innovation, strived to realize elaborated operation, constantly enhanced output of individual shops; with customer study as the original point, initiatively seized the very good opportunity of consumption upgrading, carried out marketing and brand upgrading work of various forms and full of productivity and the brand value and market share had been elevated steadily; with creating a customer-oriented organization as the orientation, pressed close in depth to and understood customers' demands, spared no effort in creating value for customers, effectively established a new type of customer relations. In the reporting period, with joint effort of the Company's whole colleagues, the Company realized sales revenue in the whole amounting to CNY 3,345.8097 million, a year-on-year growth of 11.76%; realized net profit

attributable to the shareholders of the Company amounting to CNY 140.2163 million, a year-on-year growth of 26.71%. The net cash flow created from the operation activities amounted to CNY 564.9546 million.

During the reporting period, the Company seized the opportunity of consumption upgrading in the business of FIYTA brand and other own proprietary brands, focused on the work of customer study and per unit yield raising, promoted resource integration and efficiency improvement, and achieved a preliminary result in multiple brand and entire channel strategy. With the joint effort of various links of research, design, production and sales of FIYTA watch, the Company kept improving the "4P+C" brand construction system, the operation efficiency got improved step by step, the customer satisfaction and brand reputation were constantly enhanced and the brand competitiveness were gradually manifested, and it was chosen as "a made-in-China product" by the Ministry of Commerce"; the Company achieved plentiful fruits in new product development; on the basis of continuous development and plentiful serial products, the Company launched new Young+ series and achieved a good market echo; the sales proportion of Star series continuously increased, differentiated competitiveness and brand imprinting got enhanced; the channel quality was improved continuously, and the average per unit yield was growing continuously, the total number of the domestic channels was 3,100; a good result was achieved in brand internationalization and FIYTA Brand has successfully entered 32 countries/regions, and the number of the overseas channels increased by more than 180, and the overseas sales income increased by a big margin; the e-commerce business developed steadily and realized a turnover amounting to CNY 94.42 million with year-on-year growth of 18%. Under the logistic system of three-stage network structure, FIYTA Brand products have covered the central warehousing centers, local warehousing centers of different cities, and shops. While the Company has not established any transportation logistic, it has realized butt joint with the information system of logistic enterprises. In addition, with continuous growth of sales orders, FIYTA Brand for the first time operated AI warehousing robot project. As a result, the order processing and delivery efficiency was improved by a double or more. Meanwhile, the Company's strategy for high-end brands, fashion brands, VERUS, JEEP, etc. and Beijing Watch development was actively carried forward. During the reporting period, FIYTA Watch business realized a turnover amounting to CNY 979.906 million with a year-on-year growth of 9.21%.

During the reporting period, Harmony World Watch Center closely centered on the work theme of "recasting the foundation, conducting deep ploughing operation, customer study and innovation and development", constantly improved its earning power, carried out the customer study work in depth, carried forward transformation and upgrading of the business models. Harmony World Watch Center kept deep ploughing and digging the potential according to the "Three Tier Marketing" management system, conducted more effective retail operation, greatly improved the per unit yield, achieved a big profit growth; constantly optimized the stock structure, continuously reduced the inventory volume, greatly improved the stock turnover; conducted continual optimization of the existing channels, further enhanced the channel quality, optimized the famous brand watches by 186 channels, of which 17 channels were newly opened, 60 channels were closed and adjusted; kept carrying forward the business model transition from "famous brand watch retail service supplier" to "famous brand comprehensive service supplier", constructed "new retail" business model of online and offline integration by means of informatization technology, broadened the business development scene. During the reporting period, Harmony realized a turnover amounting to CNY 2,237.3583 million with a year-on-year growth of 13.36%; kept fast and steady growth in famous brand watch repairing services and e-commerce channels.

Changes in major financial items in 2017 are as follows:

Statement Items	2017	2016	Increase/decrease movement (%)	Notes to the movements
Balance sheet items				
Monetary capital	187,152,891.32	428,802,755.81	-56.35%	Mainly due to return of the bank loans and the raised capital being put into application during the reporting year.
Short term borrowings	525,990,510.00	1,098,438,070.00	-52.11%	Mainly due to return of partial bank loans with self-raised fund during the reporting year.
Payroll payable	71,564,367.14	45,254,585.69	58.14%	Mainly due to that with growth of profit in the reporting year, bonus payable to the sales persons increased, and the year-end bonus payable to employees increased also.
Minority shareholders' equity	5,515.78	3,577,654.56	-99.85%	Mainly due to decrease of the corresponding minority shareholders' equity resulted from decrease of assets as Station 68 Ltd. entered the process of cancellation liquidation during the reporting year.
Profit statement items				
Loss from impairment of assets	62,427,499.61	29,377,884.40	112.50%	Mainly due to increase of the provision for price falling of inventories during the reporting year.
Income from disposal of assets	7,321,993.36	-520,920.33	-1505.59%	Mainly due to Station 68 Ltd's disposal of overseas non-operation real estate.
Other income	17,508,255.98	0.00	100%	Mainly due to that based on the requirements on modification of the accounting standards in the reporting year, the operation based government subsidy was counted to "other income"

				instead of "non-operating income" as did previously. However, it is unnecessary to make retroactive adjustment of the comparative statement of the same period, and the government subsidy involved amounting to CNY 17,234,482.25.
Non-operating income	2,607,653.91	18,574,739.04	-85.96%	Mainly due to that according to the changed requirements of the accounting standards during the reporting year, the operation related government subsidy was counted to the item of "other income" instead of the item of "non-operating income" previously. However, it was unnecessary to recount and adjust the comparative statements of the same period and the government subsidy involved amounted to CNY 17,234,482.25.
Minority shareholders' gains/losses	2,400,100.92	-287,834.29	-933.85%	Mainly due to disposal of non-operating real estate in the reporting year as Station 68 Ltd. enter the process of cancellation liquidation in the reporting year.
Other comprehensive income, net after tax	-28,676.16	5,617,505.89	-100.51%	Mainly due to influence from fluctuation of the exchange rate.
Cash flow statement items				
Rebated taxes and dues received	886,252.20	6,421.29	13701.78%	Mainly due to increase of the export rebates during the reporting year.
Cash from return on investment obtained	0.00	383,750.00	-100.00%	Mainly due to the dividend from Shanghai Watch Industry Co., Ltd. for the same period of the previous year.
Net cash recovered from disposal of fixed assets, intangible assets and other long term asses	10,678,135.25	4,150,363.94	157.28%	Mainly due to disposal of overseas non-operating real estate by Station 68 Ltd. during the reporting year.
Cash received from the borrowings as obtained	575,282,350.00	1,405,213,268.91	-59.06%	Mainly due to decrease of the size of bank loans due to increase of cash flow-in for business activities during the reporting year.
Cash paid in connection with other fund-raising activities	3,376,589.16	992,669.19	240.15%	Mainly due to return of the capital invested by the shareholders as Station 68 Ltd. entered the process of cancellation liquidation during the reporting year.

2. Does 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

	Operating revenue	Operating costs	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	Year-on-year increase/decrease of operating costs over the previous year	Year-on-year increase/decrease of gross profit rate over the previous year
Classified based on products						
Famous brand watches	2,237,358,253.15	1,652,049,037.83	26.16%	13.36%	12.59%	0.50%
Fiyta	979,906,003.52	313,120,661.20	68.05%	9.21%	8.70%	0.15%
Lease	109,451,504.76	17,785,254.56	83.75%	10.52%	31.31%	-2.57%
Others	19,093,942.55	3,697,637.98	80.63%	-19.78%	-4.85%	-3.04%

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

No

5. Note to the Operation Revenue, Operation Costs, Total Profit Attributable to the Company's Common Shareholders or Significant Change 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

Inapplicable

(2) Explanation on Serious Accounting Errors Occurred in 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.

Reviewed and approved at the 15th Session of the Eighth Board of Directors, Beijing Henglianda Horologe Co., Ltd., Harmony World Watch International Co., Ltd. and Beijing Cultural Communication Co., Ltd., three of Harmony's solely funded subsidiaries, had been cancelled, and were not brought into the consolidation scope of the Company at the end of the reporting year.

**Board of Directors of
FIYTA HOLDINGS LTD.**

March 10, 2018