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**Time2U International Holding Limited**

**時間由你國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1327)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2016 amounted to approximately RMB271.8 million (2015: approximately RMB691.3 million), representing a decrease of approximately 60.7% as compared with the preceding year.
- Gross profit for the year ended 31 December 2016 was approximately RMB53.4 million (2015: approximately RMB200.7 million), representing a decrease of approximately 73.4% as compared with the preceding year.
- Net loss for the year ended 31 December 2016 was approximately RMB339.2 million (2015: profit of approximately RMB88.8 million).
- No dividend was proposed by the Board for the year ended 31 December 2016.

The board (the “Board”) of directors (the “Directors”) of Time2U International Holding Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	271,812	691,349
Cost of sales		(196,732)	(490,614)
Gross profit		75,080	200,735
Other income and gain	6	4,303	4,739
Change in fair value of financial assets at fair value through profit or loss		(12,226)	52,791
Impairment of property, plant and equipment		(172,983)	–
Written-down of inventories		(80,945)	–
Selling and distribution expenses		(89,925)	(50,277)
Administrative expenses		(61,337)	(76,352)
Share of loss on an associate		–	(250)
Finance costs	7	(1,343)	(2,213)
(Loss)/Profit before taxation		(339,376)	129,173
Taxation	8	175	(40,344)
(Loss)/Profit for the year	9	(339,201)	88,829
<b>Other comprehensive income for the year, net of tax</b>			
Exchange differences on translation of foreign operations		9,592	1,673
Other comprehensive income for the year, net of tax		9,592	1,673
Total comprehensive (loss)/income for the year		(329,609)	90,502
(Loss)/Profit for the year attributable to:			
Owners of the Company		(322,514)	85,901
Non-controlling interests		(16,687)	2,928
		(339,201)	88,829
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(312,922)	87,574
Non-controlling interests		(16,687)	2,928
		(329,609)	90,502
<b>(Loss)/Earnings per share attributable to owners of the Company</b>			(restated)
Basic and diluted (RMB) (cents)	11	(13.03)	7.29

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	85,163	276,313
Prepaid lease payments		12,586	12,913
Goodwill		12,826	–
		<u>110,575</u>	<u>289,226</u>
<b>Current assets</b>			
Prepaid lease payments		327	327
Inventories		93,232	113,947
Trade receivables	13	80,020	137,147
Financial asset at fair value through profit or loss		94,405	63,626
Deposits, prepayments and other receivables		102,356	60,944
Tax receivables		116	–
Pledged bank deposit		–	50,000
Cash and bank balances		306,917	135,075
		<u>677,373</u>	<u>561,066</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	14	391	42,744
Accruals and other payables		51,214	18,364
Income tax payables		–	3,882
Bank borrowings		31,000	60,585
		<u>82,605</u>	<u>125,575</u>
<b>Net current assets</b>		<u>594,768</u>	435,491
<b>Total assets less current liabilities</b>		<u>705,343</u>	<u>724,717</u>
<b>Non current liabilities</b>			
Deferred taxation		7,604	9,096
<b>Net assets</b>		<u>697,739</u>	<u>715,621</u>
<b>Equity</b>			
Share capital	15	29,181	7,667
Reserves		662,873	685,582
Equity attributable to owners of the Company		692,054	693,249
Non-controlling interests		5,685	22,372
<b>Total equity</b>		<u>697,739</u>	<u>715,621</u>

## NOTES TO FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 3 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company has been registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) since 10 June 2013. Its shares were initially listed on the Main Board of The Stock Exchange Hong Kong Limited on 30 January 2015.

The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21E, YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches.

### 2. BASIS OF PREPARATION

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)**

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSS”) issued by the HKICPA, which are effective for the Group’s financial year beginning on or after 1 January 2016.

HKFRSS (Amendments) HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Annual Improvements to HKFRSS 2012-2014 Cycle Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments) HKFRS 14 HKAS 1 (Amendments)	Accounting for Acquisition of Interests in Joint Operation Regulatory Deferral Accounts Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the above new and revised HKFRSS in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
HKFRS 4 (Amendments)	Insurance Contracts <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HKAS 7 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's financial performance and position.

#### **4. OPERATING SEGMENT**

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

## Revenue from major products

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Branded watches:		
Time2U watch	36,189	135,263
Color watch	25,737	157,726
Jonquet watch	17,312	58,692
Extreme watch	216	–
Prestige and high-ended watch	67,832	–
OEM watches	113,308	339,668
Third-party watches	11,218	–
	<u>271,812</u>	<u>691,349</u>

## Geographical information

The Group's operations and non-current assets are located in the PRC. The Group's revenue from external customers based on the location of the customers are detailed as below:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
The PRC	134,690	600,448
Asia (excluding the PRC)	104,261	17,586
America	12,353	56,843
Europe	20,019	16,128
Africa	348	148
Oceania	141	196
	<u>271,812</u>	<u>691,349</u>

## Information about major customer

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2016 and 2015.

## 5. REVENUE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Branded watches	147,286	351,681
OEM watches	113,308	339,668
Third-party watches	11,218	–
	<u>271,812</u>	<u>691,349</u>

## 6. OTHER INCOME AND GAIN

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank interest income	1,033	2,544
Sale of scrap material	13	137
Sundry income	211	260
Government grant	3,046	1,798
	<u>4,303</u>	<u>4,739</u>

## 7. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years	<u>1,343</u>	<u>2,213</u>

## 8. TAXATION

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
The PRC income tax	1,822	31,633
Hong Kong profits tax	20	–
Deferred taxation (reversed)/charged in Hong Kong	<u>(2,017)</u>	<u>8,711</u>
	<u>(175)</u>	<u>40,344</u>

### Hong Kong

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year ended 31 December 2016.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong for the year ended 31 December 2015.

### The PRC

The PRC Enterprise Income Tax (“PRC EIT”) is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.



## 9. (LOSS)/PROFIT FOR THE YEAR

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
(Loss)/Profit for the year has been arrived at after charging:		
Share-based payment (excluding share options to directors)	–	26,384
Other staff costs:		
Salaries and other benefits	33,928	53,894
Retirement benefit schemes contribution	9,222	10,466
	<u>43,150</u>	<u>90,744</u>
Total employee expenses		
Advertising expenses	49,510	24,893
Auditors' remuneration	1,200	1,200
Amortisation of prepaid lease payments	327	327
Cost of inventories recognised as cost of sales	196,732	490,614
Depreciation of property, plant and equipment	47,570	40,801
Directors' and chief executive officer's emoluments	1,326	2,756
Written-down of inventories	80,945	–
Impairment of property, plant and equipment	172,983	–
Operating lease rental expenses in respect of rented premises	926	361
Research and development	9,724	10,191
Listing expenses	–	7,080
Loss on disposal of property, plant and equipment	135	162

## 10. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

## 11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>(Loss)/Earnings</b>		
(Loss)/Earnings for the purposes of basic and diluted earnings per share, (loss)/profit for the year attributable to the owners of the Company	<u>(322,514)</u>	<u>85,901</u>
	<i>'000</i>	<i>'000</i> (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>2,475,683</u>	<u>1,178,775</u>

(a) **Basic (loss)/earnings per share**

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB322,514,000 (2015: profit attributable to owners of the Company of approximately RMB85,901,000) and the weighted average number of 2,475,683,000 ordinary shares (2015: restated 1,178,775,000 ordinary shares) in issue during the year.

For the year ended 31 December 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been restated to take into account of the effect of rights issue taken place during the year ended 31 December 2016.

(b) **Diluted (loss)/earnings per share**

Diluted loss/earnings per share for the years ended 31 December 2016 and 2015 were the same as basic loss/earnings per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

**12. PROPERTY, PLANT AND EQUIPMENT**

Due to the deterioration of quality of the Group's products, which adversely affect the Group's sales demand, the Group has carried out a review of the recoverable amount of property, plant and equipment. Accordingly to the review, an impairment loss of approximately RMB172,983,000 has been recognised on property, plant and equipment.

**13. TRADE RECEIVABLES**

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	<u><b>80,020</b></u>	<u>137,147</u>

The Group generally allows credit period of 0 to 60 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
0 to 30 days	<b>27,190</b>	68,658
31 to 60 days	<b>48,173</b>	35,445
61 to 90 days	<b>2,645</b>	27,918
91 to 180 days	<b>1,302</b>	4,469
Over 180 days	<b>710</b>	657
	<u><b>80,020</b></u>	<u>137,147</u>

#### 14. TRADE PAYABLES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	<b>391</b>	42,744

The average credit period on purchase of goods is 0 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
0 – 30 days	<b>326</b>	37,135
31 – 60 days	<b>53</b>	5,539
61 – 90 days	–	–
91 – 180 days	<b>3</b>	3
Over 180 days	<b>9</b>	67
	<b>391</b>	42,744

#### 15. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2015, 1 January 2016 and 31 December 2016	<b>13,000,000</b>	<b>130,000</b>

	<b>Number of shares '000</b>	<b>Nominal value of ordinary shares</b>	
		<i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
As at 31 December 2015 and 1 January 2016	960,000	9,600	7,667
Issue of shares upon share placement	192,000	1,920	1,614
Issue of shares under the right issues	2,304,000	23,040	19,900
<b>As at 31 December 2016</b>	<b>3,456,000</b>	<b>34,560</b>	<b>29,181</b>

## **BUSINESS REVIEW**

The Group is a domestic watch brand-owner of economical quartz analogue watches and an OEM manufacturer of quartz analogue watches in the PRC. The Group has three principal lines of business operations, namely the design, production and assembly of watches for our OEM customers, the design, manufacture and sale of watches under the brand namely Time2U, Jonquet and sub-brand namely Color and the design and sales of new branded watches namely Extreme and prestige and high-end watches in Hong Kong.

During the year, the Group continued to enhance its brand awareness and sales network in the second and third tier cities in the PRC and Hong Kong. However, unfortunately, due to the deterioration of the quality of the watches resulting from unsatisfactory performance on production process, certain own-branded watches have been returned by the customers during the year. The sales return has adversely affected the Group's sales demand, the Group needs to take more times to restore the reputation of the branded watches.

During the year, the Group also commenced its business in Hong Kong market and sold two series of prestige and high-end watches and new branded watches, Extreme, which was designed by the Hong Kong design team, in Hong Kong.

## **OUTLOOK AND FUTURE PROSPECTS**

Going forward, the Group aimed to offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. The Group will closely monitor the market response and remix the product portfolio to suit the market needs.

In view of the growing middle-class indicate that growth opportunities still abound in the PRC, especially prestige and high-end watches. The increase of disposable income, in particular among Chinese women, and the rising women's job market participation rate, is the strong force behind the consumption of prestige and high-end watches. Moreover, the Group expects the strengthened design team can offer more fashionable and affordable watches suitable for wearing in workplace to attract different level customers. In light of the ever-changing market and cost-saving purpose, the Group will consider to operate e-commerce through online shopping platforms to capture massive potentials of internet and mobile users. The Group do not have any concrete plan in relation to the e-commerce now.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue decreased by approximately RMB419.5 million or approximately 60.7% from approximately RMB691.3 million for the year ended 31 December 2015 to approximately RMB271.8 million for the year ended 31 December 2016. The decrease in revenue was mainly attributable to (i) continual weakening of the market demand on the branded watches and OEM watches of the Group affected by overall economic slowdown in the People's Republic of China; (ii) continual decrease in the average selling price of the branded watches and OEM watches of the Group; and (iii) the sales return of approximately RMB33.1 million from customers of branded watches and OEM customers.

## **Cost of sales**

Our cost of sales was consistent with the revenue decreased by approximately RMB293.9 million or approximately 59.9% from approximately RMB490.6 million for the year ended 31 December 2015 to approximately RMB196.7 million for the year ended 31 December 2016.

## **Gross profit and gross profit margin**

Our gross profit decreased by approximately RMB125.7 million or approximately 62.6% from approximately RMB200.7 million for the year ended 31 December 2015 to approximately RMB75.1 million for the year ended 31 December 2016 which was in line with the decrease in the Company's revenue. Our overall gross profit margin also decreased from approximately 29.0% for the year ended 31 December 2015 to approximately 27.6% for the year ended 31 December 2016. The decrease was mainly attributable to the increase in depreciation of property, plant and equipment recognised in the cost of sales.

## **Other income and gain**

Our other income and gain decreased by approximately RMB0.5 million or approximately 9.2% from approximately RMB4.7 million for the year ended 31 December 2015 to approximately RMB4.3 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in bank interest income.

## **Selling and distribution expenses**

Our selling and distribution expenses increased by approximately RMB39.6 million or approximately 78.9% from approximately RMB50.3 million for the year ended 31 December 2015 to approximately RMB89.9 million for the year ended 31 December 2016. The increase was mainly due to the increase of advertising expense in order to enhance the brand awareness and sales network in the second and third tier cities in the PRC and also in Hong Kong and sales commission incurred of approximately RMB21.7 million.

## **Administrative expenses**

Our administrative expenses decreased by approximately RMB15.0 million or approximately 19.7% from approximately RMB76.4 million for the year ended 31 December 2015 to approximately RMB61.3 million for the year ended 31 December 2016. The decrease was a combined result of (i) decrease in listing expenses and (ii) no share options expense having been recognised for the year.

## **Finance costs**

Our finance costs decreased by approximately RMB0.9 million or approximately 39.3% from approximately RMB2.2 million for the year ended 31 December 2015 to approximately RMB1.3 million for the year ended 31 December 2016. The decrease of finance cost was due to the decrease in bank borrowings.

## **Loss before taxation**

As a result of the foregoing, we recorded a loss before taxation of approximately RMB339.4 million for the year ended 31 December 2016 as against a profit before taxation of approximately RMB129.2 million for the year ended 31 December 2015. The decrease was mainly attributable to the decrease in revenue, the written-off of inventories which mainly due to (1) long-aged old-fashioned inventories; (2) unsatisfactory sales demand and quality of customised inventories, impairment of property, plant and equipment and change of fair value of financial assets at fair value through profit or loss.

## **Taxation**

Our income tax expenses was RMB40.3 million for the year ended 31 December 2015 to tax credit of approximately RMB0.2 million for the year ended 31 December 2016. The change was primarily attributable to the reversal of deferred taxation and the decrease in profit before taxation as a result of the foregoing.

## **Loss for the year**

As a result of the foregoing, we recorded a loss for the year of approximately RMB339.2 million for the year ended 31 December 2016 as against a profit for the year of approximately RMB88.8 million for the year ended 31 December 2015.

## **FINANCIAL POSITION**

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities, placing of shares and bank borrowings.

As at 31 December 2016, the Group's total cash and bank balances were approximately RMB306.9 million (31 December 2015: approximately RMB185.1 million), most of which are held in RMB and HKD. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 4.5 times as at 31 December 2015 to 8.2 times as at 31 December 2016. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from approximately 8.7% as at 31 December 2015 to approximately 4.5% as at 31 December 2016.

## **USE OF NET PROCEEDS FROM THE FUNDS RAISING ACTIVITIES**

- (i) The net proceeds from the Company's Initial Public Offering ("IPO") (after deducting the underwriting fees and related expenses) amounted to approximately HK\$134.4 million, which were utilized in the manner as disclosed in the prospectus of the Company dated 20 January 2015 (the "Prospectus").

- (ii) The Company completed a placing on 18 January 2016, pursuant to which the Company has allotted 192,000,000 placing shares to not less than six placees at HK\$0.23 per placing share. The net proceeds of the placing were approximately HK\$43.06 million. As at 31 December 2016, the Group had utilized the net proceeds of the placing as general working capital as intended.
- (iii) The Company completed a rights issue on 18 July 2016, pursuant to which the Company has issued 2,304,000,000 rights shares at HK\$0.14 per rights share. The net proceeds of the rights issue were approximately HK\$319.0 million. As at 31 December 2016, the Group had utilized the net proceeds of the rights issue as follows:

Date of announcement, circular and prospectus	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
11 May 2016, 27 May 2016, 28 June 2016, 20 July 2016	Rights issue of 2,304,000,000 rights shares at HK\$0.14 per share	Approximately HK\$319.0 million	<p>(i) Approximately HK\$183.1 million for the possible acquisition pursuant to the memorandum of understanding dated 5 February 2016 or other investment opportunities including but not limited to design and/or manufacturing company in watch industry;</p> <p>(ii) Approximately HK\$99.1 million for expansion of sales network and marketing activities in the PRC;</p> <p>(iii) Approximately HK\$27.0 million for the acquisition of the remaining equity interest in a non-wholly owned subsidiary of the Company pursuant to the Shares Transfer Agreement; and</p> <p>(iv) Approximately HK\$9.8 million for repayment of debts of the Group.</p>	<p>(i) Approximately HK\$18.0 million was used to acquire a subsidiary, Soho Jewellery Company Limited; Approximately HK\$34.4 million was used to invest in prestige and high-end watches projects; Approximately HK\$20 million was used as deposit for potential acquisition; Approximately HK\$110.7 million of unused proceed was placed in the bank accounts of the Group.</p> <p>(ii) Approximately HK\$2.9 million was used to perform marketing activities in the PRC; Approximately HK\$30.2 million was used to establish additional retail stores in 4 regions in the PRC; Approximately HK\$66.0 million of unused proceed was placed in the bank accounts of the Group.</p> <p>(iii) Approximately HK\$7.8 million was paid to acquire the remaining equity interest in a non-wholly owned subsidiary of the Company; Approximately HK\$19.2 million of unused proceed was placed in the bank accounts of the Group.</p> <p>(iv) Approximately HK\$9.8 million was used to repay the debts of the Group.</p>

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 6 October 2016, the Group entered into a sale and purchase agreement to acquired 100% equity interest in Soho Jewellery Company Limited, which engaged in trading of watches and jewellery from an independent third party at a consideration of HK\$18,000,000 (equivalent to approximately RMB15,614,000). The total consideration was satisfied by cash. The acquisition was completed on 11 October 2016.

## SIGNIFICANT INVESTMENTS IN LISTED SECURITIES

Company	Stock code	Percentage of shareholding	For the year ended	At 31 December 2016			At 31 December
			31 December 2016	Fair value gain/(loss) RMB'000	Market value RMB'000	Approximate percentage of financial asset at FVTPL	Approximate percentage to the total assets
Greater China Professional Services Limited	8193	2.26%	(11,551)	63,092	66.8%	8.0%	63,626
Others			8,197	31,313	33.2%	4.0%	–
			<u>(3,354)</u>	<u>94,405</u>			<u>63,626</u>

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had a total of 481 (2015: 1,495) employees. The total remuneration costs incurred by the Group for the financial year 2016 were approximately RMB43.2 million (2015: approximately RMB90.7 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

## DEBTS AND CHARGE ON ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group:

	2016	2015
	RMB'000	RMB'000
Buildings	10,362	11,574
Prepaid lease payment	12,915	13,240
Plant and machinery	–	1,905
Pledged bank deposit	–	50,000
	<u>23,277</u>	<u>76,719</u>



## **FOREIGN CURRENCY RISK**

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars (“USD”). During the years ended 31 December 2016 and 2015, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

## **CAPITAL COMMITMENTS**

The Group had no capital commitments as at 31 December 2016 and 2015.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 December 2016 and 31 December 2015.

## **FINAL DIVIDENDS**

The Board did not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

## **AUDIT COMMITTEE**

The audit committee (the “Audit Committee”) consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Mr. Chang Wei and Mr. Nie Xing. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group’s financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group’s financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group’s activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group’s annual results for the year ended 31 December 2016 have been reviewed by the Audit Committee.

## **COMPLIANCE WITH CG CODE**

The Board has reviewed the Company’s corporate governance practices and is satisfied that it has been adopted and complied with the code provisions (the “Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities throughout the year ended 31 December 2016.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT**

This results announcement is published on the Company’s website ([www.time2u.com](http://www.time2u.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company’s 2016 Annual Report containing all information required under the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**Time2U International Holding Limited**  
**Yang Xi**  
*Executive Director*

Hong Kong, 9 March 2017

*As at the date of this announcement, the Board comprises three executive Directors being Mr. See Ching Chuen, Mr. Yang Xi and Mr. Zou Weikang; and three independent non-executive Directors, being Mr. Chang Wei, Mr. Nie Xing and Mr. Yu Chon Man.*