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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 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2015 amounted to approximately RMB691.3 million (2014: approximately RMB722.7 million), representing a decrease of approximately 4.3% as compared with the preceding year.
- Gross profit for the year ended 31 December 2015 was approximately RMB200.7 million (2014: approximately RMB240.6 million), representing a decrease of approximately 16.6% as compared with the preceding year.
- Net profit for the year ended 31 December 2015 was approximately RMB88.8 million (2014: approximately RMB117.8 million), representing a decrease of approximately 24.6% as compared with the preceding year.
- No dividend was proposed by the Board for the year ended 31 December 2015.

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 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	5	691,349	722,722
Cost of sales		(490,614)	(482,077)
Gross profit		200,735	240,645
Other income and gain	6	4,739	2,064
Change on fair value of financial assets at fair value through profit or loss		52,791	—
Selling and distribution expenses		(50,277)	(37,211)
Administrative expenses		(76,352)	(36,970)
Share of loss on an associate		(250)	(1,003)
Finance costs	7	(2,213)	(6,536)
Profit before taxation		129,173	160,989
Taxation	8	(40,344)	(43,207)
Profit for the year	9	88,829	117,782
Other comprehensive income for the year, net of tax			
Exchange differences on translation of foreign operations		1,673	51
Other comprehensive income for the year, net of tax		1,673	51
Total comprehensive income for the year		90,502	117,833
Profit for the year attributable to:			
Owners of the Company		85,901	115,165
Non-controlling interests		2,928	2,617
		88,829	117,782
Total comprehensive income for the year attributable to:			
Owners of the Company		87,574	115,216
Non-controlling interests		2,928	2,617
		90,502	117,833
Earnings per share attributable to owners of the Company			
Basic and diluted (RMB) (cents)	11	10.83	17.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Interest in an associate		—	151
Property, plant and equipment		276,313	224,965
Prepaid lease payments		12,913	13,240
		289,226	238,356
Current assets			
Prepaid lease payments		327	327
Inventories		113,947	115,469
Trade receivables	12	137,147	87,913
Financial asset at fair value through profit or loss		63,626	—
Deposits, prepayments and other receivables		60,944	7,792
Pledged bank deposit		50,000	—
Cash and bank balances		135,075	82,763
		561,066	294,264
Liabilities			
Current liabilities			
Trade payables	13	42,744	44,675
Accruals and other payables		18,364	29,731
Income tax payables		3,882	7,115
Bank borrowings		60,585	26,050
		125,575	107,571
Net current assets		435,491	186,693
Total assets less current liabilities		724,717	425,049
Non current liabilities			
Deferred taxation		9,096	—
Net assets		715,621	425,049
Equity			
Share capital	14	7,667	1
Reserves		685,582	405,604
Equity attributable to owners of the Company		693,249	405,605
Non-controlling interests		22,372	19,444
Total equity		715,621	425,049

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'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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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.

NOTES TO FINANCIAL STATEMENTS

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 standard, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Company’s financial year beginning 1 January 2015. A summary of the new HKFRSs are set out as below:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap.622) during the reporting period. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO FINANCIAL STATEMENTS

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

HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Lease ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

³ Effective for annual period, beginning on or after a date to be determined.

⁴ Effective for an entity that first adopts HKFRSs, for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

⁵ Effective for annual periods, beginning on or before 1 January 2019.

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 results of operations and financial position.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price

NOTES TO FINANCIAL STATEMENTS

- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is in the process of assessing the potential impact of the HKFRS 15 upon initial application but is not yet in a position to state whether HKFRS 15, will have a significant impact on the Group's result of operations and financial 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.

Turnover from major products

	2015 RMB'000	2014 RMB'000
Branded watches:		
Time2U Watch	135,263	136,140
Color Watch	157,726	170,591
Jonquet Watch	58,692	55,049
OEM watches	339,668	354,885
Third-party watches	—	6,057
	691,349	722,722

NOTES TO FINANCIAL STATEMENTS

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:

	2015	2014
	RMB'000	RMB'000
The PRC	600,448	617,574
Asia (excluding the PRC)	17,586	30,749
America	56,843	25,570
Europe	16,128	48,601
Africa	148	201
Oceania	196	27
	691,349	722,722

Information about major customer

Revenue from customers contributing over 10% of total sales of the Group during the year ended are as follows:

	2015	2014
	RMB'000	RMB'000
Customer A	—	75,486

None of the customer contributing over 10% of total sales of the Group during the year ended 31 December 2015

5. REVENUE

	2015	2014
	RMB'000	RMB'000
Branded watches	351,681	361,780
OEM watches	339,668	354,885
Third-party watches	—	6,057
	691,349	722,722

NOTES TO FINANCIAL STATEMENTS

6. OTHER INCOME AND GAIN

	2015 RMB'000	2014 RMB'000
Bank interest income	2,544	407
Sale of scrap material	137	99
Sundry income	260	21
Government grant	1,798	1,514
Gain on disposal of property, plant and equipment	—	23
	4,739	2,064

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on borrowings wholly repayable within five years	2,213	6,536

8. TAXATION

	2015 RMB'000	2014 RMB'000
The PRC income tax	31,633	43,207
Deferred taxation	8,711	—
	40,344	43,207

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year ended 31 December 2015.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong for the years ended 31 December 2015 and 2014.

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.

NOTES TO FINANCIAL STATEMENTS

9. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
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	53,894	52,953
Retirement benefit schemes contribution	10,466	7,643
	90,744	60,596
Advertising expenses	24,893	13,778
Auditor's remuneration	1,200	1,200
Amortisation of prepaid lease payments	327	327
Cost of inventories recognised as an expense	490,614	482,077
Depreciation of property, plant and equipment	40,801	38,708
Directors' remuneration	2,756	586
Operating lease rental expenses in respect of rented premises	361	71
Research and development	10,191	4,463
Listing expenses	7,080	6,661
Loss on disposal of property, plant and equipment	162	—

10. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, profit for the year attributable to the owners of the Company	85,901	115,165
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	792,944	644,000

For the year ended 31 December 2014, the calculation of basic earnings per share is based on the profit attributable to the owners of the Company and on the assumption that the proposed 644,000,000 ordinary shares in issue before the listing.

Diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of outstanding share options since the exercise of share options was anti-dilutive.

Diluted earnings per share were the basic earnings per share as there were no potential dilutive ordinary shares in existences during the year ended 31 December 2014.

NOTES TO FINANCIAL STATEMENTS

12. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	137,147	87,913

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:

	2015 RMB'000	2014 RMB'000
0 to 30 days	68,658	43,342
31 to 60 days	35,445	31,689
61 to 90 days	27,918	11,828
91 to 180 days	4,469	466
Over 180 days	657	588
	137,147	87,913

13. TRADE PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	42,744	44,675

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:

	2015 RMB'000	2014 RMB'000
0 – 30 days	37,135	43,472
31 – 60 days	5,539	1,203
61 – 90 days	—	—
91 – 180 days	3	—
Over 180 days	67	—
	42,744	44,675

NOTES TO FINANCIAL STATEMENTS

14. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2014 and 1 January 2015	1,500,000	15,000
Increase in authorised share capital	11,500,000	115,000
As at 31 December 2015	13,000,000	130,000

	Number of shares '000	Nominal Value of ordinary shares	
		HK\$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
As at 31 December 2014 and 1 January 2015	96	1	1
Issue of shares under the capitalisation issue	643,904	6,439	5,110
Issue of shares under the global offering	156,000	1,560	1,238
Issue of shares upon share placement	160,000	1,600	1,318
As at 31 December 2015	960,000	9,600	7,667

15. EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) On 4 January 2016, the Company entered into the placing agreement with the placing agent, whereby the Company has conditionally agreed to place, through the placing agent, on the best effort basis, a maximum of 192,000,000 placing shares to not less than 6 independent places at the price of HK\$0.23 per placing share. The placing was completed on 18 January 2016. For details, please refer to the Company's announcements dated 4 January 2016 and 18 January 2016.
- (b) On 15 February 2016, Zhangzhou Hongyuan Watch Industry Co., Ltd ("Zhangzhou Hongyuan"), a wholly owned subsidiary of the Company entered into sale and purchase agreement with Zhangzhou Zhanglong Hongqiao Energy Conservation Venture Capital Investment Partnership Enterprise (Limited Partnership), pursuant to which Zhangzhou Hongyuan has agreed to acquire 20% of interest in Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd, a subsidiary of the Company, of a cash consideration of RMB22,152,000. For details, please refer to the Company's announcement dated 15 February 2016.

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 two principal lines of business operations, namely the design, production and assembly of watches for our OEM customers and the design, manufacture and sale of watches under the brand namely Time2U, Jonquet and sub-brand namely Color.

With continuous enhancement of sales network in the second and third tier cities in the PRC as its focus, the Group keeps on exploring new sales network in other prime and strategic locations of the second and third tier cities in the PRC. The Group will continue its focus on expansion of our branded watches business operation domestically and internationally and strengthened its related marketing efforts to enhance our brand awareness as well as further increase our online sales platform.

OUTLOOK AND FUTURE PROSPECTS

In March 2016, the Group aimed to enhance its brand awareness and reinforcing the brand positioning in the international market by launching 3 new brands namely Nordic Design, Extreme and M.O.D. designed by the Hong Kong design team.

Going forward, the Group will explore business opportunities which could complement the Group's current business. We 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 as well as establishing mould design and fabrication centre for production of moulds in-house. Aligned with upgrading our manufacturing facilities and equipment, addition of more technologically advanced machines to increase automation of our production facilities and thus will increase production efficiency and capacities. In this way, the Company's financial performance can be strengthened and optimal benefits will be brought to its shareholders.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB31.4 million or approximately 4.3% from approximately RMB722.7 million for the year ended 31 December 2014 to approximately RMB691.3 million for the year ended 31 December 2015. The decrease in revenue was mainly attributable to decrease in the average selling price of both our branded watches and OEM watches.

Cost of sales

Our cost of sales remain stable and only slightly increased by approximately RMB8.5 million or approximately 1.8% from approximately RMB482.1 million for the year ended 31 December 2014 to approximately RMB490.6 million for the year ended 31 December 2015.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB39.9 million or approximately 16.6% from approximately RMB240.6 million for the year ended 31 December 2014 to approximately RMB200.7 million for the year ended 31 December 2015 which was in line with the decrease in the Company's revenue. Our overall gross profit margin also decreased from approximately 33.3% for the year ended 31 December 2014 to approximately 29.0% for the year ended 31 December 2015. The decrease was mainly attributable to decrease in average selling price as mentioned above.

Other income and gain

Our other income and gain increased by approximately RMB2.7 million or approximately 129.6% from approximately RMB2.1 million for the year ended 31 December 2014 to approximately RMB4.8 million for the year ended 31 December 2015. The increase was primarily attributable to the increase of one-off government grants we received for the year and increase in bank interest income due to an increase of time deposit.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB13.1 million or approximately 35.1% from approximately RMB37.2 million for the year ended 31 December 2014 to approximately RMB50.3 million for the year ended 31 December 2015. The increase was due to the increase of exhibition and advertisement expense.

Administrative expenses

Our administrative expenses increased by approximately RMB39.4 million or approximately 106.5% from approximately RMB37.0 million for the year ended 31 December 2014 to approximately RMB76.4 million for the year ended 31 December 2015. The increase was a combined result of (i) the increase in listing expenses by RMB0.4 million which mainly reflected our Listing in January 2015; (ii) the issuance of share options in June 2015 which recognised expense of approximately RMB27.3 million; and (iii) increase in professional fee after the Listing,

Finance costs

Our finance costs decreased by approximately RMB4.3 million or approximately 66.2% from approximately RMB6.5 million for the year ended 31 December 2014 to approximately RMB2.2 million for the year ended 31 December 2015. The decrease of finance cost was due to the decrease in bank borrowings with high interest rate.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB31.8 million or approximately 19.8% from approximately RMB161.0 million for the year ended 31 December 2014 to approximately RMB129.2 million for the year ended 31 December 2015. The effect of increase in selling and distribution expenses and administrative expenses and decrease in gross profit is partially offset by the change on fair value of financial assets at fair value through profit or loss.

Taxation

Our income tax expenses decreased by approximately RMB2.9 million or approximately 6.6% from approximately RMB43.2 million for the year ended 31 December 2014 to approximately RMB40.3 million for the year ended 31 December 2015. The decrease was primarily attributable to the decrease in our profit before taxation by approximately RMB31.8 million as a result of the foregoing. Our effective tax rate was relatively stable at approximately 26.8% and 31.2% for the years ended 31 December 2014 and 2015, respectively.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately RMB29.0 million or approximately 24.6% from approximately RMB117.8 million for the year ended 31 December 2014 to approximately RMB88.8 million for the year ended 31 December 2015. Our net profit margin also decreased from approximately 16.3% for the year ended 31 December 2014 to approximately 12.8% 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 2015, the Group's total cash and bank balances were approximately RMB185.1 million (31 December 2014: approximately RMB82.8 million), most of which are held in RMB. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 2.7 times as at 31 December 2014 to 4.5 times as at 31 December 2015. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from approximately 6.4% as at 31 December 2014 to approximately 8.7% as at 31 December 2015.

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 are intended to be applied in the manner as disclosed in the prospectus of the Company dated 20 January 2015 (the "Prospectus").

During the period from 20 January 2015, being the date of the Prospectus, to 31 December 2015, the Group has applied the net proceeds of the IPO as follows:

	Amount available (HK\$'000)	Amount utilised (HK\$'000)	Amount unutilised (HK\$'000)
– Marketing activities for branded watches in the domestic market	41,859	17,061	24,798
– Further developing on-line retail stores for branded watches	22,145	19,210	2,935
– International expansion of sales network	17,464	15,934	1,530
– Upgrading existing watch components	26,556	26,556	—
– Addition of more technologically advanced machines and equipment	10,532	10,532	—
– Strengthening core competitiveness by improving watch design and development capabilities	15,844	14,575	1,269
	134,400	103,868	30,532

The unutilised net proceeds of the IPO are placed in the bank accounts of the Group.

- (ii) The Company completed a placing and subscription on 12 August 2015 and 19 August 2015 respectively. The net proceeds of the placing were approximately HK\$62 million. As at 31 December 2015, the Group had utilized the net proceeds of the placing as follows:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
5 August 2015 and 10 August 2015	Placing of 160,000,000 existing Shares and the subscription of 160,000,000 new Shares at HK\$0.40 per Share	Approximately HK\$62.0 million	To finance future business investment and development opportunities (including but not limited to the promotion of international image of branded watches) and/or as general working capital of the Group.	<p>(i) Approximately HK\$25.8 million was used for purchase of machines and equipment;</p> <p>(ii) Approximately HK\$19.6 million was used for promotion and marketing activities;</p> <p>(iii) Approximately HK\$5.7 million was used to purchase watch components;</p> <p>(iv) Approximately HK\$4.9 million was used for research and development work; and.</p> <p>(v) Approximately HK\$6.0 million was used as general working capital.</p>

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2015, there was no acquisition or disposal of subsidiaries and associated companies by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had a total of 1,495 (2014: 1,611) employees. The total remuneration costs incurred by the Group for the financial year 2015 were approximately RMB90.7 million (2014: approximately RMB60.6 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:

	2015	2014
	RMB'000	RMB'000
Building	11,574	12,786
Prepaid lease payment	13,240	4,775
Plant and machinery	1,905	3,651
Pledged bank deposit	50,000	—
	76,719	21,212

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 year ended 31 December 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 2015 and 31 December 2014.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015 and 31 December 2014.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2015 (2014: 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 2015 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 2015, except the following deviation:

Under A.2.1 of the Code Provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Concurrently, Mr. Lin Zhiqiang is the chairman of the Board and the chief executive officer of the Company.

Being aware of the said deviation from Code Provisions A.2.1, but in view of the current rapid development of the Group, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer by the same person can facilitate execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board which consists of three independent non-executive Directors, representing half of the Board, the interests of the shareholders of the Company will be safeguarded.

Code provision A.6.7 stipulates that independent non-executive directors should attend general meeting of the Company. Owing to other business engagements, one independent non-executive director, Mr. Nie Xing, was unable to attend the general meeting of the Company held on 22 June 2015.

The Board will review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

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 2015.

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 2015.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This results announcement is published on the Company's website (www.time2u.com) and the website of the Stock Exchange (www.hkexnews.hk). The Company's 2015 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
Lin Zhiqiang
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises three executive directors of the Company, being Mr. Lin Zhiqiang, Mr. See Ching Chuen and Mr. Zheng Qingjie; and three independent non-executive directors of the Company, being Mr. Chang Wei, Mr. Nie Xing and Mr. Yu Chon Man.