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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)**

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK\$0.14 PER RIGHTS SHARE; AND**

**(II) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**Financial adviser to the Company**

**Opus** | Capital Limited  
創富融資有限公司

**Underwriter of the Rights Issue**



**中國保盛證券有限公司**  
CHINA PROSPECT SECURITIES LIMITED

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**Hercules**

**Hercules Capital Limited**

## **PROPOSED RIGHTS ISSUE**

The Company proposes to raise not less than approximately HK\$322.56 million and not more than approximately HK\$342.32 million, before expenses, by issuing not less than 2,304,000,000 Rights Shares and not more than 2,445,140,000 Rights Shares at the Subscription Price of HK\$0.14 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date and payable in full upon application.

Assuming no Share Options will be exercised and no Shares being repurchased by the Company on or before the Record Date, the 2,304,000,000 Rights Shares proposed to be allotted and issued represents: (i) approximately 200.00% of the Company's issued share capital; and (ii) approximately 66.67% of the Company's issued share capital of 3,456,000,000 Shares as enlarged by the allotment and issue of 2,304,000,000 Rights Shares immediately after completion of the Rights Issue.

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, all transfers documents of Shares (accompanied by the relevant share certificates) must be lodged for registration with the Registrar by 4:30 p.m. on Friday, 17 June 2016.

The register of members of the Company will be closed from Monday, 20 June 2016 to Friday, 24 June 2016, both days inclusive, to determine the eligibility of the Rights Issue.

The Record Date is Friday, 24 June 2016. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not being an Excluded Shareholder.

The Board is pleased to announce that on 11 May 2016 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Rights Issue. The Rights Issue will be fully underwritten by the Underwriter, subject to the terms and conditions of the Underwriting Agreement.

## **LISTING RULES IMPLICATIONS**

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in a general meeting by a resolution on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, (i) Visual Wise is a Controlling Shareholder and is directly owned as to approximately 62% and approximately 38% by Mr. Lin Zhiqiang and Ms. Yan Xiaotong, respectively; (ii) Mr. Lin Zhiqiang is the chairman, chief executive officer and an executive Director; and (iii) Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and a former executive Director. Therefore, Visual Wise, Mr. Lin Zhiqiang and Ms. Yan Xiaotong and their respective associates shall abstain from voting in favour on the resolution(s) in relation to the Rights Issue and the transactions contemplated thereunder at the EGM.

## **GENERAL**

An EGM will be convened and held for the Shareholders and the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the proposed Rights Issue. The Circular containing, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before Friday, 27 May 2016.

## **WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.**

**Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that dealing in the Rights Shares in the nil-paid form will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.**

**Any Shareholder or other person dealing in the nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 18 July 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing any Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

## **POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS**

As a result of the Rights Issue, it is expected that the exercise prices, and/or the number of Shares, of the outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will engage the Company's auditors to review and determine the relevant adjustments and make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Hercules Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee of the Company and the Independent Shareholders in respect of the Rights Issue.

## PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$322.56 million and not more than approximately HK\$342.32 million, before expenses, by way of the Rights Issue and details are set out as follows:

### Issue statistics

Basis of the Rights Issue	: Two (2) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	: HK\$0.14 per Rights Share
Number of Shares in issue as at the date of this announcement	: 1,152,000,000 Shares
Number of Rights Shares	: 2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date)  2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date)
Number of Rights Shares underwritten by the Underwriter	: Not less than 2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date) by the Underwriter
Number of enlarged Shares in issue upon completion of the Rights Issue	: Not less than 3,456,000,000 Shares and not more than 3,667,710,000 Shares

As at the date of this announcement, there are outstanding Share Options to subscribe for an aggregate of 70,570,000 new Shares. Assuming full exercise of the subscription rights attaching to the outstanding Share Options on or before the Record Date, an additional 141,140,000 Rights Shares will be issued.

Save as disclosed, the Company has no other derivatives, outstanding convertible securities, options and warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The Rights Issue is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules.

### **The Rights Shares**

Assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date, the 2,304,000,000 Rights Shares proposed to be allotted and issued represents: (i) approximately 200.00% of the Company's issued share capital; and (ii) approximately 66.67% of the Company's issued share capital of 3,456,000,000 Shares as enlarged by the allotment and issue of 2,304,000,000 Rights Shares immediately after completion of the Rights Issue. The aggregate nominal value of the Rights Shares will be HK\$23,040,000.00.

Assuming all outstanding Share Options being exercised in full on or before the Record Date, the 2,445,140,000 Rights Shares proposed to be allotted and issued represents: (i) approximately 212.25% of the Company's issued share capital; and (ii) approximately 66.67% of the Company's issued share capital of 3,667,710,000 Shares as enlarged by the allotment and issue of 2,445,140,000 Rights Shares immediately after completion of the Rights Issue. The aggregate nominal value of the Rights Shares will be HK\$24,451,400.00.

### **Subscription Price**

The Subscription Price is HK\$0.14 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 49.09% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.32% to the theoretical ex-rights price of HK\$0.185 based on closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 49.09% to the average closing price of HK\$0.275 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 48.72% to the average closing price of HK\$0.273 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day; and
- (v) a discount of approximately 81.21% to the unaudited net asset value per Share of approximately HK\$0.745 (based on the audited net asset value of the Group of RMB715,621,000 (equivalent to approximately HK\$858,745,200) as at 31 December 2015 and 1,152,000,000 Shares in issue as at the date of this announcement).

### **Basis of determining the Subscription Price and the subscription ratio**

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; and (ii) the capital needs of the Group. It has been indicated to the Company that the discount of the Subscription Price to the adjusted closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Rights Issue. The Directors are of the view that in the event that the Subscription Price is increased and the allotment ratio is lowered, the attractiveness of the Qualifying Shareholders to subscribe for the Rights Shares will likely decrease. The Directors also consider that each Qualifying Shareholder will be provisionally allotted the Rights Shares at the same Subscription Price in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Apart from the aforesaid, in determining the current subscription ratio for the Rights Issue and the Subscription Price, the Company has also considered the following factors:

- (i) the funding requirements of the Company having regard to the need for setting a subscription price at a level acceptable to the Underwriter and all of the Qualifying Shareholders;

- (ii) during the negotiation of the Underwriting Agreement, it has been indicated to the Company that a subscription price with a relatively deep discount to the closing price of the Share is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Rights Issue.

Moreover, the Company has attempted to obtain loan financing from two principal banks for financing its principal business, however, the two aforesaid principal banks indicated that it was unlikely for the Company to obtain loan financing from them at favourable terms or without asset pledge (the “**Banks Rejection**”). The Group has established close collaboration with the two principal banks and has maintained good business relationship with them, having a good credit history and does not have any previous loan default. Through recurring transactions with the two principal banks for the Group’s business operation, they are familiar with the capital structure, business operations, funding requirements, cash flow pattern, cash management and financial management system of the Group. As such, given familiarity of the Group’s business operations by the two principal banks, the Directors consider that possibility of securing loan financing from the two principal banks is already much higher than from other financial institutions. Therefore, after the Banks Rejection, given the fund raising size and the business scale of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms; and

- (iii) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from fluctuating market sentiment, capital flow and trend of interest rate, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares; and
- (iv) the general declining trend of the prevailing trading prices of the Shares in the past twelve months.

Given that the discount of the Subscription Price and the basis of two Rights Shares for every one existing Share: (i) can provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares as the Company has funding needs; and (ii) can induce the Underwriter to participate in the underwriting of the Underwritten Shares, the Directors are of the view that the current structure of the Rights Issue is fair and reasonable. After deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share will be approximately HK\$0.136.



In addition, the Board considered and noted that the discount structure of the Rights Issue is a commercial decision of the Company which is required to be approved, as part of the terms of the Rights Issue, by the Independent Shareholders at the EGM. The Shareholders' interests are safeguarded by the fact that the Independent Shareholders, before exercising their respective voting rights, will be advised by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the Rights Issue on the terms proposed. If the Rights Issue is approved at the EGM, it is unlikely that those Independent Shareholders voting in favour of the Rights Issue would subsequently choose not to subscribe for their provisional allotments of the Rights Issue.

The Directors have approached two other underwriters regarding a proposed rights issue for the Company to raise the required funds with structures of lower dilution impact, but no positive feedback was received by the other two underwriters. The Directors have considered, among other factors: (i) the terms of the rights issue proposed by the underwriters; and (ii) the terms of the underwriting agreement including but not limited to the underwriting commission, in selecting the underwriters.

Having considered, among other factors: (i) the funding needs of the Company; (ii) each Qualifying Shareholder will be provisionally allotted the Rights Shares in proportion to his/her/its shareholdings held on the Record Date; (iii) the structure of the Rights Issue is required to be approved by the Independent Shareholders at the EGM; and (iv) the terms of the rights issue proposed by other underwriters, the Directors are of the view that the terms of the Rights Issue are fair and reasonable and in the interests of the Shareholders despite: (i) the potential dilution impact on those Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted; and (ii) the discount of the Subscription Price to the Company's net asset value per Share with reference to the rights issue exercises of other companies listed on the Stock Exchange.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) existing Share held on the Record Date, being not less than 2,304,000,000 Rights Shares and not more than 2,445,140,000 Rights Shares. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

## **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (a) be registered on the register of members of the Company; and (b) not being the Excluded Shareholders.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers documents of Shares (together with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 17 June 2016.

## **Closure of register of members for the Rights Issue**

The Company's register of members will be closed from Monday, 20 June 2016 to Friday, 24 June 2016, both days inclusive, to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during the book closure period.

## **Rights of Overseas Shareholders**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders.

Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on Tuesday, 28 June 2016. The Company will send copies of the Prospectus (without the PAL and EAF) to the Excluded Shareholders for their information only.

The Company shall provisionally allot the Rights Shares which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium (nil-paid). If and to the extent that such rights can be so sold, the nominee of the Company shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), which shall be distributed by the Company in Hong Kong dollars to the Excluded Shareholders pro rata provided that rounded down amounts of less than HK\$100 shall not be so distributed but shall be retained for the benefit of the Company. Any unsold entitlement of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

**Those Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.**

### **Ranking of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Shares**

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 21 July 2016. Each Shareholder will receive one share certificate for all allotted Rights Shares. If the Rights Issue is terminated, refund cheques in respect of wholly or partially unsuccessful application for excess Rights Shares (if any) will be despatched on or before Thursday, 21 July 2016 by ordinary post at the respective Shareholders' own risk.

## **Application for the Rights Shares**

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form and lodging the same with a remittance for the Rights Shares being taken up with the Registrar by the Latest Time for Acceptance.

## **Fractions of the Rights Shares**

On the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

## **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing the EAF(s) (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

The Board will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application subject to availability of excess Rights Shares. No reference will be made to Rights Shares comprised in applications by PAL or the number of existing Shares held by the Qualifying Shareholders.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

## **Application for listing**

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

#### **UNDERWRITING AGREEMENT**

Date of the Underwriting Agreement : 11 May 2016 (after trading hours)

Underwriter : China Prospect

Number of Rights Shares to be underwritten : Not less than 2,304,000,000 Rights Shares (assuming no Share Options being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date). The Rights Issue is fully underwritten.

Under the Underwriting Agreement, the Rights Issue is fully underwritten by the Underwriter and the Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding 10% or more shareholding in the Company immediately after completion of the Rights Issue.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and their ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter is not interested in any Shares.

## **Underwriting commission**

The Company will pay the Underwriter an underwriting commission of 1.5% of the aggregate Subscription Price in respect of the maximum number of the underwritten Rights Shares agreed to be underwritten by the Underwriters as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market condition. The Directors (including the independent non-executive Directors) are of the view that the terms of the Underwriting Agreement, including the commission, accord with the market practice, and are fair and reasonable so far as the Company and the Shareholders are concerned.

## **Termination of the Underwriting Agreement**

The Underwriter may terminate the Underwriting Agreement by giving written notice to the Company prior to 4:00 p.m. on the Latest Time for Termination if:—

- (A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (B) there shall be:
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
  - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
  - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 10 trading days (as defined in the Listing Rules); or

(vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which is or are, in the reasonable opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (a) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) approving, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;
- (b) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus Documents (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and in compliance with the Listing Rules and the Companies Ordinance;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders;
- (d) the Listing Committee granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms; and
- (e) compliance with and performance by the Company of all its undertakings and obligations under the terms of the Underwriting Agreement;



and that in the event of the above conditions not being fulfilled on or before the Latest Time for Termination (or such later date or dates as may be agreed between the Company and the Underwriter) or if the Underwriting Agreement shall be terminated pursuant to the terms in the Underwriting Agreement, all obligations and liabilities of the parties hereunder shall forthwith cease and determine and no party shall have any claim against the other (save for any antecedent breaches hereof).

## **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of own-branded watches, OEM (Original Equipment Manufacturing) watches and third-party watches.

It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on the expansion of the branded watches business operation domestically and internationally to achieve financial growth for the Group and to maximise the Shareholders' value.

The gross proceeds of the Rights Issue will be approximately HK\$322.56 million before expenses, assuming no outstanding Share Options being exercised before the Rights Issue. The estimated net proceeds of the Rights Issue will be approximately HK\$313.60 million. The net price per Rights Share after deducting the relating expenses of Rights Issue will be approximately HK\$0.136.

The Company intends to apply:

- (i) approximately HK\$180.00 million for the Possible Acquisition pursuant to the MOU;
- (ii) approximately HK\$97.417 million for expansion of sales network and marketing activities in the PRC;
- (iii) approximately HK\$26.583 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
- (iv) approximately HK\$9.60 million for repayment of debts of the Group.



## Possible Acquisition of the Target Company

The Company intends to apply the net proceeds of HK\$180.00 million of the Rights Issue for the Possible Acquisition pursuant to the MOU. As stated in the MOU Announcement, the Company entered into the MOU with the MOU Vendor pursuant to which the Company intended to acquire and the MOU Vendor intended to sell 100% of the issued share capital of the Target Company, which is principally engaged in: (i) development of clocks, watches, calculation software, and other various types of technological products; and (ii) manufacturing of various electronic products, hardware products and precision machinery accessories in the PRC.

It is the corporate strategy of the Group to strengthen its existing businesses to achieve financial growth for the Group and to maximise Shareholders' value. As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group will strengthen its core competitiveness through expansion and improving the production efficiency and capacities.

The Target Company is an investment holding company incorporated in the British Virgin Islands. Its subsidiaries are mainly engaged in the manufacture of watches and sales of precision instruments and digital products, and development of computer software with a production factory in Zhangzhou City, Fujian Province, the PRC (the "**Factory**"). Should the Possible Acquisition materialise, the Directors intends to use the Factory for the manufacturing of watches of the Group.

As at 31 December 2015, the production capacity utilisation rate of the watch products of the existing factory of the Company was: (i) approximately 97.0% for the steel watches; (ii) approximately 93.0% for the alloy watches; and (iii) approximately 57.5% for the plastic watches. Therefore, the average capacity utilisation rate of the watch products was approximately 77.8%. As the production of both the steel and alloy watches have nearly reached the maximum production capacity, the Company therefore intends to improve the production capacity, operational efficiency as well as the design and development capabilities through the Possible Acquisition. The Possible Acquisition will allow the Company to strengthen its existing business by the technological software, products and experience from the Target Company. In addition, the Possible Acquisition will also provide additional production facilities and capability for the expected increase in the demand for the watch products of the Group arising from the expansion of sales network in the PRC.

Based on the initial negotiation with the MOU Vendor, the consideration of the Possible Acquisition will be approximately HK\$180.00 million. As at the date of this announcement, the Company is negotiating with the MOU Vendor with the view of entering into a legally binding formal agreement for the Possible Acquisition although no legally-binding agreement for the Possible Acquisition has yet to be

executed. In the event that the Possible Acquisition materialises, based on the existing information regarding the Target Company and the expected consideration of approximately HK\$180 million, in accordance with the Listing Rules, the transaction may constitute a major transaction upon completion of the Rights Issue. The Company will finance the acquisition of the Target Company by internally generated funds if the consideration is higher than HK\$180 million. If the consideration is below HK\$180 million, the Company will therefore allocate the remaining proceeds for general working capital of the Group.

In considering the time required to complete the Rights Issue, the Directors are of the view that it is reasonable to raise funds for the Possible Acquisition by the Rights Issue at present so that the Company will have sufficient funds at the time of entering into any legally binding agreement in relation to the Possible Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the MOU Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

The Directors consider that the acquisition of the Target Company is in line with the business development strategy and expansion plan of the Group. The Directors further consider that the Possible Acquisition is carried out in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

Save and except for the MOU announced by the Company on 5 February 2016, the Company is not in negotiation of, and has not entered into any agreement, arrangement, undertaking and/or understanding in relation to acquisition of new business and/or disposal of its existing business.

In the event that the MOU does not proceed, the Company intends to apply the allocated net proceeds of the Rights Issue for other investment opportunities including but not limited to design and/or manufacturing company in the watch industry as and when identified by the Group. The Company is actively seeking for other investment opportunities, but the Company has not identified any investment opportunities other than the Target Company as at the date of this announcement.

## Expansion of sales network in the PRC

Sales revenue of the Group from the PRC has shown an upward trend from approximately RMB507.22 million for the year ended 31 December 2013 to approximately RMB617.57 million for the year ended 31 December 2014, representing an increase of approximately 21.8% and indicating a potential growth and opportunity in the PRC market.

The sales revenue of the Group from the PRC decreased slightly to approximately RMB600.45 million for the year ended 31 December 2015, which is mainly attributable to the decrease in the average selling price of the branded watches and OEM watches of the Group.

Despite the slight decrease in sales revenue from the PRC, with the launch of the three new brands namely “M.O.D”, “Extreme” and “Nordic Design” in both the domestic and international markets, the Directors are of the view that the expansion of the sales network and marketing activities of the Group are fair and reasonable.

As at the date of this announcement, the Group operates 850 retail points for its own-branded watches in the PRC. In response to the competition in the market and to enhance the services provided to the customers, the Board intends to expand the sales network of the Group by establishing an estimated 200 additional retail stores in the second-tier and third-tier cities, covering 4 regions in the PRC and 1 office in each region in 2016 and 2017 as follow:

Regions	No. of offices to be established	No. of retail stores to be established	Breakdown of the estimated costs					
			Estimated costs (RMB million)	Staff costs (RMB million)	Rental fee and management fee (RMB million)	Renovation fee (RMB million)	Inventories costs (RMB million)	Administrative and other expenses (RMB million)
Southern China	1	60	21.18	6.71	2.34	4.38	7.20	0.55
Central China	1	50	17.39	5.46	1.95	3.65	6.00	0.33
Northern China	1	45	16.29	5.27	1.78	3.29	5.40	0.55
East China	1	45	15.95	5.07	1.76	3.29	5.40	0.43
Total	4	200	70.81	22.51	7.83	14.61	24.00	1.86

The total estimated costs are approximately RMB70.81 million (equivalent to approximately HK\$84.97 million), which include rental fee, management fee, renovation fee, inventories costs, staff costs, etc. for the retail stores and the offices.

The expected timeframe of the expansion plan of the sales network in the PRC is set out as follows:

	2016 3Q	2016 4Q	2017 1Q	2017 2Q	Total
	No. of retail stores to be established				
Southern China	20	15	10	15	60
Central China	15	15	10	10	50
Northern China	10	15	10	10	45
East China	<u>15</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>45</u>
Total	<u>60</u>	<u>55</u>	<u>40</u>	<u>45</u>	<u>200</u>

Together with the expansion of the sales network, the Group intends to allocate approximately HK\$12.417 million for the marketing activities (such as advertisement on television channels, magazines, newspaper and out-door buildings) in these second-tier and third-tier cities to further increase the market share and penetration rate of the watch products in the PRC.

The Board is of the view that establishing additional retail stores in the PRC will increase the market penetration and promote brand awareness of the Group's products in the PRC. Therefore, the Board considers that the allocation of approximately HK\$97.417 million of the expansion of the sales network and marketing activities of the Group is in the interest of the Company and the Shareholders as a whole.

#### **Acquisition of remaining 20% equity interest in a non-wholly owned subsidiary of the Company**

As stated in the announcement of the Company dated 15 February 2016 (the “**Discloseable Announcement**”), the Company, through its wholly-owned subsidiary, Zhangzhou Hongyuan Watch Industry Co., Ltd.\* (漳州宏源錶業有限公司) (“**Zhangzhou Hongyuan**”), has entered into the Shares Transfer Agreement with Zhangzhou Zhanglong Hongqiao Energy Conservation Venture Capital Investment Partnership Enterprise (Limited Partnership)\* (漳州市漳龍紅橋節能環保創業投資合作企業(有限合夥)) (the “**Vendor**”) and Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.\* (福建省歐沃斯鐘錶精密技術有限公司) (the “**Subsidiary**”), an indirect non-wholly owned subsidiary of the Group established under the laws of the PRC with limited liability and principally engaged in design, production, assembly and sale of watches, to purchase 20% equity interest in the Subsidiary.

\* For identification purpose only

On 5 March 2014, the Vendor and the Subsidiary entered into a capital increase agreement pursuant to which the Vendor subscribed for the registered capital of RMB5 million of the Subsidiary for a consideration of RMB20 million (the “**Capital Contribution**”). As a result, the registered capital of the Subsidiary was increased by RMB5 million, with the remaining consideration of RMB15 million being treated as capital reserve. Upon completion of the Capital Contribution, the registered capital of the Subsidiary was increased to RMB25 million, with Zhangzhou Hongyuan holding 80% equity interest and the Vendor holding 20% equity interest of the Subsidiary, respectively.

Pursuant to the Shares Transfer Agreement, the Vendor agreed to sell and Zhangzhou Hongyuan agreed to acquire the remaining 20% equity interest of the Subsidiary for a cash consideration of RMB22,152,500 (equivalent to approximately HK\$26,583,000).

As stated in the Discloseable Announcement, the Board is of the view that the acquisition of the remaining 20% equity interest in the Subsidiary will: (i) enable the Group to achieve greater economic efficiency; (ii) enhance the Company’s management control over the Subsidiary; and (iii) provide easier financing for future development. The transaction will bring about a sole ownership structure of the Subsidiary, which will lead to a smoother management and a quicker decision-making of the Company on the Subsidiary. As such, stronger synergies will be created within the Group. Therefore, the Board is of the view that the allocation of approximately HK\$26.583 million for the acquisition of the remaining 20% equity interest in the Subsidiary is in the interest of the Shareholders and the Company as a whole.

### ***Information on the Subsidiary***

The Subsidiary is an indirect non-wholly owned subsidiary of the Company established under the laws of the PRC with limited liability and is principally engaged in design, production, assembly and sale of watches.

The following is the financial information of the Subsidiary as extracted from its audited financial statements prepared in accordance with the PRC generally accepted accounting principles for the year ended 31 December 2014 and unaudited management account for the year ended 31 December 2015 respectively:

	<b>For the financial year ended 31 December 2015</b>	<b>For the financial year ended 31 December 2014</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
Net profit before taxation	20,485	23,952
Net profit after taxation	15,364	17,964

Based on the unaudited management account, the net asset value of the Subsidiary as at 31 December 2015 was approximately RMB112,225,000.

### **Debts repayment**

The Company intends to allocate approximately HK\$9.60 million (equivalent to approximately RMB8.00 million) to repay the debt of the Group which will become due in November 2016. As at the date of this announcement, the Group has outstanding bank borrowings of approximately RMB8.00 million (equivalent to approximately HK\$9.60 million) which will become due in November 2016.

The finance costs of the bank borrowings amounted to approximately RMB2.21 million (equivalent to approximately HK\$2.65 million) as at 31 December 2015. It is the intention of the Company to repay all its bank borrowing when it falls due and the Company does not intend to renew the above mentioned bank borrowing. Accordingly, the Directors are of the view that it is reasonable to allocate approximately HK\$9.60 million to repay the debt of the Group.

In the Baselworld watch exhibition in Basel, Switzerland in March 2016, the Company has launched three new brands namely “M.O.D”, “Extreme” and “Nordic Design”. The three new high-end brands were designed by Hong Kong local designers. With the addition of the three new brands and the expansion of the sales network in the PRC, the Directors are of the view that the demand of the watch products of the Group is expected to increase.

Although the Company is estimated to record a positive cash inflow as at the year end, the Company may require substantial amount of cash for business operation in different time intervals during the year. Therefore, the fund raising activity is required for the development and expansion of the Group.

The current funding needs were in deliberation at the time of the placing completed in January 2016. The expansion and development plans were approved by the Board in late January 2016 and the Possible Acquisition target was not identified until mid January. Therefore, the current funding needs have not been contemplated or taken into account at the time of IPO or conducting the share subscription completed in August 2015 and the placing completed in January 2016.

### **Other fund raising alternatives**

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new Shares and open offer.

Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. The Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them without any asset pledge or at favourable terms. Therefore, given the fund raising size and the business scale of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms.

Placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company.

Although an open offer is similar to a rights issue, an open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares. Furthermore those Qualifying Shareholders who wish to increase their shareholding interests in the Company cannot acquire additional nil-paid Rights Shares in the market in the case of an open offer.

The Board considers that the Rights Issue is in the interest of the Company and the Shareholders as a whole as: (i) Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (ii) Qualifying Shareholders who do not take up their allotments can sell the nil-paid Rights Shares in the market; (iii) the Rights Issue allows the Qualifying Shareholders who participate to increase their interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability) or applying through excess applications for Rights Shares; and (iv) the Rights Issue offers all the Qualifying



Shareholders an equal opportunity to participate in the enlarged capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

Having considered and evaluated that all Qualifying Shareholders can have an equal opportunity to maintain their interests in the Company and that the Rights Issue will not increase the future finance costs of the Group, the Directors are of the view that raising funds by way of the Rights Issue is a better option over the other alternative fund-raising methods as set out above.

In view of the above, the Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of the Independent Financial Adviser) consider that the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Rights Issue:

### Scenario 1:

#### Assuming no outstanding Share Options being exercised on or before the Record Date:

	As at the date of this announcement		<u>Immediately after completion of the Rights Issue</u>			
			Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders	
	<i>Approximate</i> <i>No. of Shares</i>	<i>Approximate</i> <i>%</i>	<i>Approximate</i> <i>No. of Shares</i>	<i>Approximate</i> <i>%</i>	<i>Approximate</i> <i>No. of Shares</i>	<i>Approximate</i> <i>%</i>
Mr. Lin Zhiqiang ( <i>Note 1</i> )	—	—	—	—	—	—
Ms. Yan Xiaotong ( <i>Note 2</i> )	—	—	—	—	—	—
Visual Wise ( <i>Note 3</i> )	354,367,020	30.76	1,063,101,060	30.76	354,367,020	10.25
Public Shareholders	797,632,980	69.24	2,392,898,940	69.24	797,632,980	23.08
Underwriter	—	—	—	—	2,304,000,000	66.67
	<u>1,152,000,000</u>	<u>100.00</u>	<u>3,456,000,000</u>	<u>100.00</u>	<u>3,456,000,000</u>	<u>100.00</u>



## Scenario 2:

### Assuming the outstanding Share Options being exercised in full on or before the Record Date:

	Immediately after completion of the Rights Issue							
	As at the date of this announcement		Immediately after all the outstanding Share Options are exercised but before the completion of the Rights Issue		Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders	
	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %	<i>Approximate</i> No. of Shares	<i>Approximate</i> %
Mr. Lin Zhiqiang (Note 1)	—	—	800,000	0.07	2,400,000	0.07	800,000	0.02
Ms. Yan Xiaotong (Note 2)	—	—	800,000	0.07	2,400,000	0.07	800,000	0.02
Visual Wise (Note 3)	354,367,020	30.76	354,367,020	28.99	1,063,101,060	28.99	354,367,020	9.66
Public Shareholders	797,632,980	69.24	866,602,980	70.88	2,599,808,940	70.88	866,602,980	23.63
Underwriter	—	—	—	—	—	—	<u>2,445,140,000</u>	<u>66.67</u>
	<u>1,152,000,000</u>	<u>100.00</u>	<u>1,222,570,000</u>	<u>100.00</u>	<u>3,667,710,000</u>	<u>100.00</u>	<u>3,667,710,000</u>	<u>100.00</u>

#### Notes:

1. Mr. Lin Zhiqiang, was granted 800,000 Share Options on 16 June 2015 in accordance with the Company's Share Option Scheme.
2. Ms. Yan Xiaotong, a former executive Director in the last 12 months, was granted 800,000 Share Options on 16 June 2015 in accordance with the Company's Share Option Scheme. Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang.
3. As at the date of this announcement, Visual Wise is owned as to 62% by Mr. Lin Zhiqiang, the chief executive officer, chairman and an executive Director, and 38% by Ms. Yan Xiaotong. Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and they are deemed to have interest in the Shares in which his/her spouse is interested in.
4. The tables shown above are for illustrative purpose only.
5. Further details of the sub-underwriting arrangement will be provided in the Circular. The Company and the Underwriter will, on a best effort basis, take appropriate steps as may be reasonably required to ensure that the sufficient public float is maintained at all times.

As at the date of this announcement, the existing public Shareholders hold approximately 69.24% of the entire issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders), the existing public Shareholders will hold approximately 23.08% of the enlarged issued share capital of the Company assuming no outstanding Share Options being exercised on or before the Record Date.

Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 66.67%, assuming no outstanding Share Options being exercised on or before the Record Date.

As discussed with the Underwriter, in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules. The Underwriter will use its best endeavours to ensure that the subscribers and/or sub-underwriters are: (i) Independent Third Parties; and (ii) will not hold 10% or more of the equity interest and voting rights in the Company upon completion of the Rights Issue. The Underwriter will also ensure that at least 25% of the total issued capital of the Company is held by the public at all times such that the public float requirements under Rules 8.08 of the Listing Rules will be complied with by the Company.

## DILUTION EFFECT OF THE RIGHTS ISSUE

The following table shows the dilution effect on the share price and the Shares in issue after completion of the Rights Issue:

<b>Event</b>	<b>Dilution effect on the share price after the Rights Issue</b>	<b>Total number of Shares in issue after the Rights Issue</b>	<b>Dilution effect on the Company's Shares in issue after the Rights Issue (Note 2)</b>
Rights Issue	To be adjusted downwards by approximately 32.73% (Note 1)	Not less than 2,304,000,000 Shares and not more than 2,445,140,000 Shares	Approximately 66.67% (Note 3)

*Notes:*

1. The dilution effect on the share price is calculated based on: (i) the theoretical ex-rights price of approximately HK\$0.185 per Share after the Rights Issue (calculated based on the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day); and (ii) the closing price of approximately HK\$0.275 per Share on the Last Trading Day.
2. The dilution effect is calculated by dividing the increase in number of Shares with the aggregate number of Shares in issue immediately after the Rights Issue.
3. The dilution effect on the Shares only applies to those Shareholders who do not participate in the Rights Issue.

Given that: (i) the Subscription Price and the subscription ratio were determined after arm's length negotiations between the Company and the Underwriter, details of which are highlighted in the section "Basis of determining the Subscription Price and the subscription ratio"; (ii) the structure of the Rights Issue is required to be approved by the Independent Shareholders at the EGM; and (iii) a relatively deep discount to the share price is necessary to induce the Underwriter to participate in the underwriting of the Underwriter Shares and attract the investors to subscribe for the Rights Shares, the Directors are of the view that the dilution effect on the share price in the event that the Shareholders did not participate in the Rights Issue is acceptable.

## FUND RAISING EXERCISES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
5 August 2015	Subscription of 160,000,000 new Shares at HK\$0.40 per Share ( <i>Note 1</i> ) (the “ <b>2015 Subscription</b> ”)	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>
4 January 2016	Placing of 192,000,000 new Shares of HK\$0.23 per Share under general mandate ( <i>Note 2</i> ) (the “ <b>2016 Placing</b> ”)	Approximately HK\$43.06 million	As general working capital of the Group	<p>(i) Approximately HK\$8.74 million was used for general working capital of the Group; and</p> <p>(ii) Approximately HK\$34.32 million is placed in the bank and will be used for general working capital of the Group as intended.</p>

### Notes:

1. Upon completion of the 2015 Subscription as announced by the Company on 19 August 2015, the shareholding of the public Shareholders other than the placees had decreased from approximately 43.95% to approximately 36.63%, representing a dilution of approximately 16.66% to their then existing shareholding.

2. Upon completion of the 2016 Placing as announced by the Company on 18 January 2016, the shareholding of the public Shareholders other than the placees had decreased from approximately 63.09% to approximately 52.57%, representing a dilution of approximately 16.67% to their then existing shareholding.

### **Dilution effect of the fund raising exercises of the Company in the past 12 months**

Assuming that the public Shareholders other than the placees did not subscribe for any Shares under the subscription of Shares as announced by the Company on 5 August 2015 and the placing of Shares as announced by the Company on 4 January 2016 respectively, their shareholdings in the Company would have decreased from approximately 43.95% to approximately 30.52%, representing an accumulative dilution effect of approximately 30.56% from the equity fund raising exercises conducted by the Company in the past 12 months.

As at the date of this announcement and to the best of the Directors' knowledge, information and belief, the Company is not considering any equity fund raising exercise during the next 12 months from the date of this announcement. To the best of the Directors' knowledge, information and belief, the proceeds from Rights Issue and the internal funding of the Company can satisfy the Company's expected funding needs for the next 12 months from the date of this announcement.

The Company was listed on the Main Board of the Stock Exchange on 30 January 2015. The net proceeds from the Company's initial public offering ("IPO") (after deducting the underwriting fees and related expenses) amounted to approximately HK\$134.40 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 20 January 2015 (the "IPO Prospectus"). During the period from 20 January 2015, being the date of the IPO Prospectus, to 31 March 2016, the Group has applied the net proceeds as follows:

	<b>Amount allocated</b> <i>(HK\$'000)</i>	<b>Amount utilised</b> <i>(HK\$'000)</i>	<b>Amount unutilised</b> <i>(HK\$'000)</i>
- 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	22,145	—
- International expansion of sales network	17,464	17,464	—
- Upgrading existing watch components production workshops	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	<u>15,844</u>	<u>15,844</u>	<u>—</u>
	<u>134,400</u>	<u>109,602</u>	<u>24,798</u>

The amount utilised of the IPO proceeds of approximately HK\$109.60 million was utilised as follows:

- (i) approximately HK\$17.06 million was used for marketing activities for branded watches in the domestic market, such as placing outdoor advisements, participating in major sales and watch and clock fairs as well as brand planning and promotion activities;
- (ii) approximately HK\$22.15 million was used for further developing on-line retail stores for branded watches by organising on-line marketing events and on-line advertisements;

- (iii) approximately HK\$17.46 million was used for international expansion of sales network, such as advertisement and promotion in international markets and further expansion of the sales network of the Group in the international watch markets;
- (iv) approximately HK\$26.56 million was used for upgrading existing watch components production workshop, such as purchasing watch components to improve the production and watch assembly environments and expand the production capacity of watch components of the Group;
- (v) approximately HK\$10.53 million was used for acquisition of more technologically advanced machines and equipment, such as purchase of intelligent hydraulic lathe and precise machinery, to enhance the automation of production facilities and thus increase the production efficiency; and
- (vi) approximately HK\$15.84 million was used for strengthening core competitiveness by improving watch design and development capabilities through: (a) providing more training to the design team of the Company to uphold the design and artistic knowledge; (b) developing smart watches, new products, such as three new design under the brands of Nordic Design, Extreme and M.O.D. designed by the Hong Kong design team of the Company; and (c) establishing mould design and fabrication centre for production of moulds.

The unutilised net proceeds of approximately HK\$24.80 million from the IPO are currently placed in the bank accounts of the Group.

As at 31 March 2016, the Group has cash and bank balances of approximately RMB168.06 million (equivalent to approximately HK\$201.67 million). As at the date of this announcement, the Company has utilised: (i) approximately HK\$7.7 million in held-for-trading securities; and (ii) approximately HK\$63.20 million to repay debts of approximately RMB52.67 million (equivalent to approximately HK\$63.20 million) which were due in April 2016. The Company intends to further utilise: (i) approximately HK\$15 million for potential investment opportunities; (ii) approximately HK\$16 million for settlement of other payable; (iii) approximately HK\$25 million for research and development of the products of the Group; (iv) approximately HK\$40 million for advertising, purchase of watch components, research and design etc.; and (v) approximately HK\$9.97 million for general working capital of the Group. To support the daily business operation of the Group,

the Directors consider that it is necessary for the Group to have a cash float for working capital. As the bank borrowings of approximately RMB52.67 million (equivalent to approximately HK\$63.20 million) became due in April 2016, therefore, the Board has repaid the bank borrowings in the second quarter of 2016 via internally generated fund and expects to utilise the existing cash for other payable and research and development by the fourth quarter of 2016. For the potential investment opportunities, the Company will utilise the funds when the opportunities arise. In summary, the indicative timeline for the cash utilisation is set out below:

	<b>2nd Quarter 2016</b>	<b>3rd Quarter 2016</b>	<b>4th Quarter 2016</b>	<b>Total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayment of debt	63.2	—	—	63.2
Settlement of other payable	8.0	—	8.0	16.0
Research and development of the products of the Group	5.0	10.0	10.0	25.0

As the majority of the cash and bank balances will be used for specific purposes in the existing business in the Group, and having considered that:

- (i) the Group has been in negotiation with the MOU Vendor for the Possible Acquisition;
- (ii) the Company through its subsidiary, Zhangzhou Hongyuan, has entered into the Shares Transfer Agreement with the Vendor and the Subsidiary; and
- (iii) it is the current business strategy of the Group to conduct expansion of sales network in the PRC for the existing business,

in spite of the potential dilution impact of the Rights Issue and the relatively deep discount of the Subscription Price, the Directors are of the view that the Company has imminent funding needs and that it is necessary for the Company to raise additional funds through the Rights Issue in order to facilitate the business development of the Group which will be in the interest of the Company and the Shareholders as a whole.



## **POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS**

As a result of the Rights Issue, it is expected that the exercise prices, and/or the number of Shares, of the outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will engage the Company's auditors to review and determine the relevant adjustments and make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

## **EXPECTED TIMETABLE**

The expected timetable for the Rights Issue is set out below:

<b>Event</b>	<b>2016 (Hong Kong Time)</b>
Expected date of despatch of the Circular and the notice of the EGM .....	Friday, 27 May
Latest time for lodging transfers of Shares in order to be qualified for attendance and voting at the EGM .....	4:30 p.m. on Monday, 6 June
Closure of register of members of the Company for transfer of Shares to determine the rights to attend and vote at the EGM (both dates inclusive) .....	Tuesday, 7 June to Tuesday, 14 June
Latest time for lodging proxy form for the EGM .....	11:00 a.m. on Sunday, 12 June
Record date for attendance and voting at the EGM .....	Tuesday, 14 June
Date and time of the EGM .....	11:00 a.m. on Tuesday, 14 June
Announcement of the results of the EGM .....	Tuesday, 14 June
Last day of dealing in Shares on a cum-rights basis .....	Wednesday, 15 June

<b>Event</b>	<b>2016 (Hong Kong Time)</b>
First day of dealing in Shares on an ex-rights basis .....	Thursday, 16 June
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue .....	4:30 p.m. on Friday, 17 June
Register of members closes to determine the entitlements to the Rights Issue (both dates inclusive).....	Monday, 20 June to Friday, 24 June
Record Date for the Rights Issue .....	Friday, 24 June
Register of members re-opens .....	Monday, 27 June
Despatch of the Prospectus Documents .....	Tuesday, 28 June
First day of dealings in nil-paid Rights Shares.....	9:00 a.m. on Thursday, 30 June
Latest time for splitting nil-paid Rights Shares .....	4:30 p.m. on Tuesday, 5 July
Last day and time of dealings in nil-paid Rights Shares.....	4:30 p.m. on Friday, 8 July
Latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares .....	4:00 p.m. on Wednesday, 13 July
Latest time for termination of the Underwriting Agreement .....	4:00 p.m. on Monday, 18 July
Announcement of the results of the Rights Issue .....	Wednesday, 20 July
Despatch of certificates for fully-paid Rights Shares .....	Thursday, 21 July

**Event****2016 (Hong Kong Time)**

Despatch of refund cheques if the Rights Issue is terminated and in respect of unsuccessful or partially successful application for excess Rights Shares .....	Thursday, 21 July
Expected first day of dealings in fully-paid Rights Shares .....	9:00 a.m. on Friday, 22 July

All times and dates stated in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

**Effect of bad weather on the Latest Time for Acceptance of and payment for the Right Shares and for application and payment for excess Rights Shares**

The Latest Time for Acceptance of and payment for the Right Shares and for application and payment for excess Rights Shares will not take place at 4:00 p.m. on Wednesday, 13 July 2016 if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning, if such circumstances is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place at 4:00 p.m. on the date of the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance, the Latest Time for Acceptance will not take place on the date of the Latest Time for Acceptance, but will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and application and payment for excess Rights Shares does not take place on Wednesday, 13 July 2016, the dates mentioned in the above section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event.

## **LISTING RULES IMPLICATIONS**

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in a general meeting by a resolution on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, (i) Visual Wise is a Controlling Shareholder and is directly owned as to approximately 62% and approximately 38% by Mr. Lin Zhiqiang and Ms. Yan Xiaotong, respectively; (ii) Mr. Lin Zhiqiang is the chairman, chief executive officer and an executive Director; and (iii) Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and a former executive Director. Therefore, Visual Wise, Mr. Lin Zhiqiang and Ms. Yan Xiaotong and their respective associates shall abstain from voting on the resolution(s) in relation to the Rights Issue and the transactions contemplated thereunder at the EGM.

## **GENERAL**

An EGM will be convened and held for the Shareholders and the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the proposed Rights Issue. The Circular containing, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before Friday, 27 May 2016.

## **WARNING OF THE RISK OF DEALINGS IN SHARES AND THE NIL-PAID RIGHTS SHARES**

**Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.**

**Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that dealing in the Rights Shares in the nil-paid form will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.**

**Any Shareholder or other person dealing in the nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 18 July 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing any Shares, and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, has been established to advise the Independent Shareholders in respect of the Rights Issue. Hercules Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and such appointment has been approved by the Independent Board Committee of the Company. The advice of Hercules Capital Limited to the Independent Board Committee of the Company and the Independent Shareholders will be included in the Circular.

## DEFINITIONS

In this announcement, following expressions have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular containing, among other things, further details of the proposed Rights Issue and a notice convening the EGM to be despatched to the Shareholders
“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Time2U International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriters
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and to approve the Rights Issue and the transactions contemplated hereunder
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	Hercules Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than the Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties not connected with or acting in concert with any Directors, chief executive or Substantial Shareholder(s) or its subsidiaries of the Company and their respective associates
“Last Trading Day”	10 May 2016, being the last trading day for the Shares immediately prior to the date of this announcement
“Latest Time for Acceptance”	the latest time for acceptance for the Rights Shares at 4:00 p.m., on Wednesday, 13 July 2016 or such other time as may be agreed between the Company and the Underwriter
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Monday, 18 July 2016, being the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	a memorandum of understanding dated 5 February 2016 which was entered into between Touch Moment Group Limited, a wholly-owned subsidiary of the Group, and Ms. Chen Huisui, an Independent Third Party, in respect of the Possible Acquisition
“MOU Announcement”	the announcement of the Company dated 5 February 2016 relating to the MOU
“MOU Vendor”	Ms. Chen Huisui, an Independent Third Party
“OEM”	original equipment manufacturing whereby products are manufactured in accordance with the customer’s design and specification and are marketed under the customer’s brand name



“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside Hong Kong
“PAL”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Possible Acquisition”	the possible acquisition of the entire issued share capital of the Target Company. For further details, please refer to the MOU Announcement
“Prospectus”	the document containing details of the Rights Issue to be despatched to the Qualifying Shareholders
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Tuesday, 28 June 2016 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders (or the Prospectus for information only to the Excluded Shareholder(s))
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Friday, 24 June 2016, or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the Rights Issue
“Registrar”	Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Hong Kong branch share registrar of the Company

“Rights Issue”	the proposed issue by way of rights issue to the Qualifying Shareholders on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	not less than 2,304,000,000 Shares and not more than 2,445,140,000 Shares to be allotted and issued pursuant to the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shares Transfer Agreement”	a shares transfer agreement dated 15 February 2016 entered into between Zhangzhou Hongyuan Watch Industry Co., Ltd.* (漳州宏源錶業有限公司), Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.* (福建省歐沃斯鐘錶精密技術有限公司) and Zhangzhou Zhanglong Hongqiao Energy Conservation Venture Capital Investment Partnership Enterprise (Limited Partnership)* (漳州市漳龍紅橋節能環保創業投資合夥企業(有限合夥)) in relation to the acquisition of the 20% equity interest in Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.
“Share Options”	share options granted by the Company pursuant to the Share Option Scheme which entitled the holders to subscribe for new Shares
“Share Options Scheme”	the share option scheme of the Company adopted on 30 January 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.14 per Rights Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules

“Target Company”	Pok Chiu Development Limited* 博超發展有限公司
“Underwriter” or “China Prospect”	China Prospect Securities Limited 中國保盛證券有限公司, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 11 May 2016 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	Not less than 2,304,000,000 Rights Shares and not more than 2,445,140,000 Rights Shares being underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Visual Wise”	Visual Wise Limited, a company incorporated in the British Virgin Islands and a Controlling Shareholder, which is interested in approximately 30.76% of the issued share capital of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.ft.”	square feet
“sq.m.”	square metre
“%”	per cent.

\* For identification purpose only

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.20. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

By Order of the Board  
**Time2U International Holding Limited**  
**Lin Zhiqiang**  
*Chairman, Chief Executive Officer and  
Executive Director*

Hong Kong, 11 May 2016

*As at the date of this announcement, the three executive Directors are Mr. Lin Zhiqiang, Mr. See Ching Chuen and Mr. Zheng Qingjie; and the three independent non-executive Directors are Mr. Chang Wei, Mr. Nie Xing and Mr. Yu Chon Man.*