**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)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Directors") of Time2U International Holding Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 together with the comparative figures. This announcement, containing the full text of the 2018 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in relation to information to accompany preliminary announcements of interim results. This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hklistco.com/1327). The printed version of the Company's Interim Report will be despatched to the shareholders of the Company and available on above websites in due course.

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

Hong Kong, 28 August 2018

*As at the date of this announcement, the Board comprises three executive Directors being Mr. See Ching Chuen, Mr. Yang Xi and Mr. Zou Weikang; and three independent non-executive Directors, being Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili.*

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# *MANAGEMENT DISCUSSION AND ANALYSIS*

## OVERVIEW

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

In the past, the Group had put in much effort and spent ample amount of resources on the promotion and marketing of economical watches. However, the sales order of the economical watches received remains unsatisfactory. The Directors consider that Speedy Glory Limited and its subsidiaries (the "Disposal Group") have already experienced continual loss and incurred significant operating costs. It is apparent that, due to the keen competition on the economical watches sector, sales orders of the economical watches were not sufficient to cover the cost used for the manufacturing of economical watches including but not limited to the cost of maintaining the factory complexes and plant and machineries, direct labour cost and manufacturing overheads. As such, the Group has disposed the Disposal Group in 2017 (the "Disposal").

The Directors consider that the Disposal represent an opportunity for the Company (i) to re-allocate the resources to design, research and development of the mid to high-end watches; (ii) to realise cash for improving its liquidity and strengthening the overall financial positions; (iii) to unlock the value in its investment in property, plant and equipment at fair value; and (iv) to lighten the factory overhead cost.

The Group's net loss for the six months ended 30 June 2018 amounted to approximately RMB21.0 million, decreased from loss of approximately RMB134.5 million for the six months ended 30 June 2017. Such change was mainly due to (i) the improvement of cost control which result from the Disposal, i.e. decrease in operating costs, and (ii) the decrease in realised and unrealised loss on financial assets through profit or loss of approximately RMB74.0 million.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by approximately RMB24.3 million or 41.1% from approximately RMB59.2 million (Restated) for the six months ended 30 June 2017 to approximately RMB83.5 million for the six months ended 30 June 2018. The increase in revenue was mainly attributable to the increase in sales volume of our branded watches.

**Cost of sales**

Our cost of sales increased by approximately RMB19.6 million or 41.1% from approximately RMB67.3 million for the six months ended 30 June 2017 to approximately RMB47.7 million (Restated) for the six months ended 30 June 2018. The increase primarily consistent with the increase in revenue by 41.1% for the period.

**Gross profit and gross profit margin**

Our gross profit increased by approximately RMB4.7 million or 41.0% from approximately RMB11.5 million (Restated) for the six months ended 30 June 2017 to approximately RMB16.2 million for the six months ended 30 June 2018. Our overall gross profit margin remain stable as 19.4% (Restated) for the six months ended 30 June 2017 and 30 June 2018.

**Other gain and loss**

Our other gain and loss recognised a loss of approximately RMB2.7 million for the six months ended 30 June 2018, representing a decrease from loss of approximately RMB76.7 million (Restated) for the six months ended 30 June 2017. The loss was primarily attributable to the realised and unrealised loss on financial assets at fair value through profit or loss of approximately RMB0.2 million and RMB2.5 million respectively. For details of the realised and unrealised loss, please refer to significant investments section.

**Selling and distribution expenses**

Our selling and distribution expenses increased by approximately RMB16.8 million from approximately RMB4.3 million (Restated) for the six months ended 30 June 2017 to approximately RMB21.1 million for the six months ended 30 June 2018. The increase was primarily attributable to the increase in advertising expense.

**Administrative expenses**

Our administrative expenses increase by approximately RMB4.7 million from approximately RMB5.8 million (Restated) for the six months ended 30 June 2017 to approximately RMB10.5 million for the six months ended 30 June 2018. The increase was mainly attributable to increase in administrative expenses such as staff cost, which incurred in discontinued operation for the six months ended 30 June 2017.

**Finance costs**

Our finance costs became RMB0.7 million for the six months ended 30 June 2018 from approximately RMB1.2 million (Restated) for the six months ended 30 June 2017.

### Loss before taxation

As a result of the foregoing, our loss before taxation amounted to approximately RMB18.9 million for the six months ended 30 June 2018 (2017: loss before taxation of approximately RMB76.6 million (Restated)).

### Loss for the period from continuing operations

As a result of the foregoing, loss for the period decreased from approximately RMB69.2 million for the six months ended 30 June 2017 to approximately RMB21.0 million for the six months ended 30 June 2018. Such change was primarily due to (i) the improvement of cost control which result from the Disposal, i.e. decrease in operating costs, and (ii) the decrease in realised and unrealised loss on financial assets at fair value through profit or loss as abovementioned.

## OUTLOOK AND FUTURE PROSPECTS

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

In view of the growing middle-class indicate that growth opportunities still abound in the PRC, especially prestige and high-end watches. The increase of disposable income, in particular among Chinese women, and the rising women's job market participation rate, is the strong force behind the consumption of prestige and high-end watches. Moreover, the Group expects the strengthened design team can offer more fashionable and affordable watches suitable for wearing in workplace to attract different level customers.

The Group also intends to expand the OEM watches business in the overseas market by procuring sales order from international brand owners. The Directors consider the OEM business is experiencing stable development in the global watches market.

## FINANCIAL POSITION

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

As at 30 June 2018, the Group's total cash and bank balances were approximately RMB13.3 million (31 December 2017: approximately RMB16.2 million), most of which are held in RMB. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 16.5 times as at 31 December 2017 to 22.8 times as at 30 June 2018. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group decreased from approximately 3.9% as at 31 December 2017 to approximately 1.9% as at 30 June 2018.

## DEBTS AND CHARGE ON ASSETS

As at 30 June 2018, none of the assets of the Group has been pledged to secure any loan granted to the Group.

## CAPITAL COMMITMENT

As at 30 June 2018, the Group did not have any material capital commitment (31 December 2017: RMB Nil).

## EXCHANGE RISK EXPOSURE

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. During the six months ended 30 June 2018, 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 STRUCTURE

Details of the movement in share capital of the Company during the six months ended 30 June 2018 are set out in Note 13 to the condensed consolidated interim financial statements.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

## DIVIDEND PAYMENT

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

## SIGNIFICANT ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2018, there were no material acquisitions or disposals of subsidiaries and associated companies.

## SIGNIFICANT INVESTMENTS

At 30 June 2018, detail of the significant investments are as follows:

| Name of investee | As at 1 January 2018 RMB'000 | Loss on disposal RMB'000 | Fair value loss RMB'000 | As at 30 June 2018 RMB'000 | Percentage to the Group's audited total assets as at 30 June 2018 % | Number of shares held by the Group as at 1 January 2018 | Percentage of shareholding held by the Group as at 1 January 2018 % | Number of shares held by the Group as at 30 June 2018 | Percentage of shareholding held by the Group as at 30 June 2018 % |
|---|---|---|---|---|---|---|---|---|---|
| **Significant investments** | | | | | | | | | |
| China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note (a)) | 8,170 | – | (1,411) | 6,759 | 1.20 | 81,776,000 | 4.11% | 81,776,000 | 4.11% |
| Sub-total | 8,170 | – | (1,411) | 6,759 | 1.20 | | | | |
| Other listed securities | 13,893 | (224) | (1,071) | 10,022 | 1.78 | | | | |
| Total | 22,063 | (224) | (2,482) | 16,781 | 2.98 | | | | |

Note:

(a) China Automotive is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and food products. Based on China Automotive's annual report for the year ended 31 December 2017, revenue and loss of China Automotive was approximately RMB227,562,000 and RMB236,820,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 30 June 2018, there was no investment held by the Group the value of which was more than 1% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the six months ended 30 June 2018.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 239 (31 December 2017: 247) employees. The total remuneration costs incurred by the Group for the six months ended 30 June 2018 were approximately RMB6.4 million (for the six months ended 30 June 2017: approximately RMB1.0 million (Restated)). 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.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2018, none of the Directors or chief executive had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 at the Part XV of the SFO; or interest or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the following persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

**Long position in issued ordinary shares of the Company**

| | Number of issued ordinary shares/underlying shares of the Company | | | | |
|---|---|---|---|---|---|
| **Name of Shareholder** | **Personal interests** | **Family interests** | **Corporate interests** | **Total** | **Percentage of the issued share capital of the Company** |
| Mr. Lin Zhiqiang ("Mr. Lin") | | | | | |
| – Ordinary shares in issue | – | – | 354,367,020 (Note b) | 354,367,020 | |
| – Unlisted share options | 800,000 | 800,000 (Note a) | – | 1,600,000 | |
| | 800,000 | 800,000 | 354,367,020 | 355,967,020 | 10.30% |
| Ms. Yan Xiaotong ("Ms. Yan") | | | | | |
| – Ordinary shares in issue | – | – | 354,367,020 (Note b) | 354,367,020 | |
| – Unlisted share options | 800,000 | 800,000 (Note c) | – | 1,600,000 | |
| | 800,000 | 800,000 | 354,367,020 | 355,967,020 | 10.30% |

Notes:

a. The family interests of 800,000 share options represent the interest of the wife of Mr. Lin.

b. These shares are hold by Visual Wise Limited ("Visual Wise"), which is owned as to 62% by Mr. Lin, an executive Director, chief executive officer, chairman in the last 24 months of the Company, and 38% by Ms. Yan, an executive Director in the last 24 months of the Company. Ms. Yan is the spouse of Mr. Lin and they are deemed to have interest in the Shares in which his/her spouse is interested in.

c. The family interests of 800,000 share options represent the interest of the husband of Ms. Yan.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than disclosed in "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, at no time during the six months ended 30 June 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive or their respective associates, of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2018.

## DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the directors of the Company, the controlling shareholder of the Company and their respective associates (as defined under Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 June 2018.

## CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2018, the Group had 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, except the following deviation:

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. Zhong Weili, was unable to attend the annual general meeting of the Company held on 11 June 2018.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

## AUDIT COMMITTEE

The Audit Committee of the Company, comprising three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted a model code of practice for securities dealings by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code set out in Appendix 10 to the Listing Rules. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code for the six months ended 30 June 2018.

## BOARD OF DIRECTORS

As at 30 June 2018, the Board comprises three Executive Directors and three Independent Non-executive Director as follows:

**Executive Directors**
Mr. See Ching Chuen
Mr. Yang Xi
Mr. Zou Weikang

**Independent Non-Executive Director**
Mr. Yu Chon Man
Ms. Duan Baili
Mr. Zhong Weili

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

28 August 2018

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

For the six months ended 30 June 2018

The Board of directors (the "Board") of Time2U International Holding Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018, together with the comparative unaudited figures for the corresponding period in 2017 as follows:

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | Notes | **RMB'000** | RMB'000 |
| | | **(Unaudited)** | (Unaudited) |
| | | | (Restated) |
| **Continuing operations:** | | | |
| Revenue | 3 | **83,463** | 59,154 |
| Cost of sales | | **(67,266)** | (47,664) |
| Gross profit | | **16,197** | 11,490 |
| Other gain and loss | 4 | **(2,706)** | (76,749) |
| Selling and distribution expenses | | **(21,108)** | (4,276) |
| Administrative expenses | | **(10,508)** | (5,846) |
| Finance costs | 5 | **(731)** | (1,236) |
| Loss before taxation | | **(18,856)** | (76,617) |
| Taxation | 6 | **(2,176)** | 7,399 |
| Loss for the period from continuing operations | 7 | **(21,032)** | (69,218) |
| **Discontinued operation:** | | | |
| Loss for the period from discontinued operation | | **–** | (65,322) |
| Loss for the period | | **(21,032)** | (134,540) |
| **Other comprehensive income/(loss) for the period, net of tax** | | | |
| Exchange differences on translation of foreign operations | | **6,532** | (9,010) |
| Other comprehensive income/(loss) for the period, net of tax | | **6,532** | (9,010) |
| Total comprehensive loss for the period | | **(14,500)** | (143,550) |
| Loss for the period attributable to: | | | |
| – Owners of the Company | | **(21,032)** | (132,046) |
| – Non-controlling interests | | **–** | (2,494) |
| | | **(21,032)** | (134,540) |

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

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June<br>**2018**<br>**RMB'000**<br>**(Unaudited)** | <br>2017<br>RMB'000<br>(Unaudited)<br>(Restated) |
|---|---|---|---|
| Loss for the period attributable to owners of the Company arising from: | | | |
| Continuing operation | | **(21,032)** | (69,218) |
| Discontinued operation | | **–** | (62,828) |
| | | **(21,032)** | (132,046) |
| Total comprehensive loss for the period attributable to: | | | |
| – Owners of the Company | | **(14,500)** | (141,056) |
| – Non-controlling interests | | **–** | (2,494) |
| | | **(14,500)** | (143,550) |
| **Loss per share attributable to owners of the Company** | | | |
| **For continuing and discontinued operations** | | | |
| – Basic and diluted (RMB) (cents) | 8 | **(0.6)** | (3.8) |
| **For continuing operations** | | | |
| – Basic and diluted (RMB) (cents) | | **(0.6)** | (2.0) |

# *CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

As at 30 June 2018

| | Notes | **30 June 2018 RMB'000 (Unaudited)** | 31 December 2017 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | **35,987** | 37,587 |
| Goodwill | | **12,072** | 11,917 |
| | | **48,059** | 49,504 |
| **CURRENT ASSETS** | | | |
| Inventories | | **112,783** | 120,684 |
| Trade receivables | 11 | **95,960** | 98,031 |
| Deposits, prepayments and other receivables | | **274,552** | 290,611 |
| Financial assets at fair value through profit or loss | | **16,781** | 22,063 |
| Cash and bank balances | | **13,340** | 16,204 |
| | | **513,416** | 547,593 |
| **CURRENT LIABILITIES** | | | |
| Accruals and other payables | | **10,026** | 21,653 |
| Income tax payables | | **2,310** | 168 |
| Obligations under finance leases – due within one year | 12 | **10,148** | 11,302 |
| | | **22,484** | 33,123 |
| **NET CURRENT ASSETS** | | **490,932** | 514,470 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **538,991** | 563,974 |
| **NON-CURRENT LIABILITIES** | | | |
| Obligations under finance leases – due after one year | 12 | **–** | 10,483 |
| | | **–** | 10,483 |
| **NET ASSETS** | | **538,991** | 553,491 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 13 | **29,181** | 29,181 |
| Reserves | | **509,810** | 524,310 |
| **TOTAL EQUITY** | | **538,991** | 553,491 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Statutory surplus reserve RMB'000 | Foreign currency translation reserve RMB'000 | Share option reserve RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Retained earnings RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2017 (Audited) | 29,181 | 471,765 | 22,076 | 17,055 | 9,775 | 11 | 3,173 | 139,018 | 692,054 | 5,685 | 697,739 |
| Loss for the period | – | – | – | – | – | – | – | (132,046) | (132,046) | (2,494) | (134,540) |
| Other comprehensive loss for the period | – | – | – | (9,010) | – | – | – | – | (9,010) | – | (9,010) |
| Total comprehensive loss for the period | – | – | – | (9,010) | – | – | – | (132,046) | (141,056) | (2,494) | (143,550) |
| Lapse of share options | – | – | – | – | (762) | – | – | 762 | – | – | – |
| At 30 June 2017 (Unaudited) | 29,181 | 471,765 | 22,076 | 8,045 | 9,013 | 11 | 3,173 | 7,734 | 550,998 | 3,191 | 554,189 |

| | **Attributable to owners of the Company** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital RMB'000** | **Share premium RMB'000** | **Statutory surplus reserve RMB'000** | **Foreign currency translation reserve RMB'000** | **Share option reserve RMB'000** | **Capital reserve RMB'000** | **Other reserve RMB'000** | **Retained earnings RMB'000** | **Sub-total RMB'000** | **Non-controlling interests RMB'000** | **Total RMB'000** |
| **At 1 January 2018 (Audited)** | **29,181** | **471,765** | **–** | **(13,824)** | **15,275** | **–** | **–** | **51,094** | **553,491** | **–** | **553,491** |
| **Loss for the period** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(21,032)** | **(21,032)** | **–** | **(21,032)** |
| **Other comprehensive income for the period** | **–** | **–** | **–** | **6,532** | **–** | **–** | **–** | **–** | **6,532** | **–** | **6,532** |
| **Total comprehensive loss for the period** | **–** | **–** | **–** | **6,532** | **–** | **–** | **–** | **(21,032)** | **(14,500)** | **–** | **(14,500)** |
| **At 30 June 2018 (Unaudited)** | **29,181** | **471,765** | **–** | **(7,292)** | **15,275** | **–** | **–** | **30,062** | **538,991** | **–** | **538,991** |

# *CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*

For the six months ended 30 June 2018

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Net cash generated from/(used in) operating activities | **3,708** | (251,861) |
| Net cash generated from investing activities | **298** | 53 |
| Net cash used in financing activities | **(12,368)** | (1,463) |
| Net decrease in cash and cash equivalents | **(8,362)** | (253,271) |
| Effect of foreign exchange rates changes | **5,498** | (9,010) |
| Cash and cash equivalents at the beginning of the period | **16,204** | 306,917 |
| Cash and cash equivalents at the end of the period | **13,340** | 44,636 |

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency and the functional currency of the principal operating subsidiary of the Group.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts" |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**Application of new and amendments to HKFRSs *(Continued)***

***(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"***

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Manufacturing, trading and retailing business of watches

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

*Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**Application of new and amendments to HKFRSs *(Continued)***

***(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)***

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**Application of new and amendments to HKFRSs *(Continued)***

***(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"***

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

*Impairment under ECL model*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**Application of new and amendments to HKFRSs *(Continued)***

***(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)***

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**Application of new and amendments to HKFRSs *(Continued)***

***(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)***

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**Application of new and amendments to HKFRSs *(Continued)***

***(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)***

*Impairment under ECL model*

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

**New and revised HKFRS in issue but not yet effect**

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

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[3] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle[1] |

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

## 3. 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 separately reportable segments.

**Turnover from major products**

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Continuing operations:** | | |
| Branded watches: | | |
| Prestige and high-ended watch | **39,722** | 41,360 |
| Extreme watch | **1,401** | – |
| Others | **28,599** | – |
| OEM watches | **5,466** | 5,942 |
| Third-party watches | **8,275** | 11,852 |
| | **83,463** | 59,154 |

**Geographical information**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Continuing operations:** | | |
| The PRC | **23,906** | – |
| Asia (excluding the PRC) | **54,091** | 54,100 |
| Europe | **5,466** | 5,054 |
| | **83,463** | 59,154 |

**Information about major customer**

No information about major customers is presented as no single customer contributed over 10% of the total revenue of the Group during the six months ended 30 June 2018 and 2017.

## 4. OTHER GAIN AND LOSS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Continuing operations:** | | |
| Realised loss on financial assets at fair value through profit or loss | **(224)** | (24,303) |
| Unrealised loss on financial assets at fair value through profit or loss | **(2,482)** | (52,445) |
| Others | **–** | (1) |
| | **(2,706)** | (76,749) |

## 5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Continuing operations:** | | |
| Interest arising from finance leases | **731** | 1,236 |

## 6. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Continuing operations:** | | |
| Hong Kong profits tax | **2,176** | 93 |
| Deferred taxation reversed in Hong Kong | **–** | (7,492) |
| | **2,176** | (7,399) |

**Hong Kong**

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

**The PRC**

The PRC Enterprise Income Tax (the "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.

## 7. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Continuing operations:** | | |
| Loss for the period has been arrived at after charging: | | |
| Total employee expenses (including directors' remuneration) | **6,372** | 997 |
| Advertising expenses | **11,996** | 4,225 |
| Cost of inventories recognised as an expense | **67,266** | 47,644 |
| Depreciation of property, plant and equipment | **2,186** | 2,177 |
| Operating lease rental expenses in respect of rented premises | **228** | 227 |
| Net impairment loss on trade receivables | **5,050** | – |

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

**For continuing and discontinued operations**

The calculation of the basic and diluted loss per share for the period is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share, loss for the period attributable to the owners of the Company | **(21,032)** | (132,046) |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **'000** | '000 |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **3,456,000** | 3,456,000 |

The calculation of the diluted loss per share for both periods did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

**For discontinued operation**

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| **Loss** | | |
| Loss for the purpose of basic and diluted loss per share, loss for the year attributable to owner of the Company | **–** | (62,828) |
| | **'000** | '000 |
| **Number of shares** | | |
| Weight average number of ordinary shares for the purpose of basic and diluted loss per share | **3,456,000** | 3,456,000 |

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB cents** | RMB cents |
| Basic and diluted loss per share from discontinued operation | **–** | (1.8) |

## 9. INTERIM DIVIDENDS

The board of directors do not recommend the payment of interim dividend for the six months ended 30 June 2018 (2017: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group did not acquire any property, plant and equipment (2017: RMB43,544,000).

## 11. TRADE RECEIVABLES

| | **30 June 2018 RMB'000 (Unaudited)** | 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **101,010** | 98,031 |
| Less: impairment of trade receivables | **(5,050)** | – |
| | **95,960** | 98,031 |

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:

| | **30 June 2018 RMB'000 (Unaudited)** | 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| 0 to 30 days | **22,798** | 32,244 |
| 31 to 60 days | **10,597** | 36,188 |
| 61 to 90 days | **14,021** | 6,908 |
| 91 to 180 days | **22,306** | 256 |
| Over 180 days | **26,238** | 22,435 |
| | **95,960** | 98,031 |

The movement in loss allowance for lifetime expected losses that have been recognised for trade receivables during the current period as follows:

| | RMB'000 |
|---|---|
| Balance as at 1 January 2018 | – |
| Impairment loss recognised | 5,050 |
| Balance as at 30 June 2018 | 5,050 |

As at 31 December 2017, none of the trade receivables are considered impaired.

## 12. OBLIGATIONS UNDER FINANCE LEASES

| | **30 June 2018 RMB'000 (Unaudited)** | 31 December 2017 RMB'000 (Audited) |
|---|---|---|
| Analysis for reporting purpose as: | | |
| Current liabilities | **10,148** | 11,302 |
| Non-current liabilities | **–** | 10,483 |
| | **10,148** | 21,785 |

The Group leased certain plant and equipment under finance lease. As at 30 June 2018, the lease terms ranged from 3-4 years. (31 December 2017: 3-4 years).

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Finance leases obligations are denominated in Hong Kong dollars.

## 13. SHARE CAPITAL

| | **Number of shares** '000 | **Nominal value** HK'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of HK$0.01 each | | |
| **As at 1 January 2018 (Audited) and 30 June 2018 (Unaudited)** | **13,000,000** | **13,000** |

| | **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 1 January 2018 (Audited) and 30 June 2018 (Unaudited)** | **3,456,000** | **34,560** | **29,181** |

## 14. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Share Option Scheme") adopted on 30 January 2015. The Share Option Scheme will remain in force for a period of 10 years since the date of adoption. During the six months ended 30 June 2018 and 30 June 2017, no share options have been granted under the Share Option Scheme.

Details of the movements in the number of share options under the Share Options Scheme during the period were as follows:

| | Date of grant | Exercised price | Exercised period | Outstanding at 1 January 2018 '000 | Exercised during the period '000 | Lapse/ forfeited during the period '000 | Outstanding at 30 June 2018 '000 |
|---|---|---|---|---|---|---|---|
| **Other employees and consultants** | 16 June 2015 | HK$0.726 | 16 December 2015 to 15 June 2025 | 4,100 | – | – | 4,100 |
| | 16 June 2015 | HK$0.726 | 16 June 2015 to 15 June 2025 | 31,970 | – | – | 31,970 |
| | 9 November 2017 | HK$0.050 | 9 November 2017 to 8 November 2018 | 345,600 | – | – | 345,600 |
| **Total** | | | | **381,670** | – | – | **381,670** |

## 15. COMPARATIVE FIGURES

As a result of the adjustment of the discontinued operation, certain comparative figures have been restated to conform to current period's presentation and to provide comparative amounts in respect of items disclosed in 2017.