

Time2U

2019 Interim Report

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)



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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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 and jewellery in Hong Kong.

In 2019, the Group continued to focus on its strategic directions and business focus on luxury market, which (i) cooperate with different industry experts to design and sales of prestige and high-end watches, luxury consumer goods, jewellery and lifestyle consumption products, including but not limited to diamond tourbillon watches and luxury jewellery watches; (ii) design, production and assembly of watches for our OEM customers; and (iii) design, manufacture and sales of our own brands watches.

The first half of the year was marked by encouraging growth for the overall consumption market in general. However, due to the prolonged Sino-US trade dispute, ongoing political and social unrest and China's economic downturn which caused a damper on the consumers enthusiasm, the sales in the second half of the year has been affected due to the uncertainties which may bring from the Sino-US trade dispute and also the ongoing political and social unrest in Hong Kong which cause damage to the local economy.

The Group's net loss for the six months ended 30 June 2019 amounted to approximately RMB17.1 million, decreased from loss of approximately RMB21.0 million for the six months ended 30 June 2018. Such change was mainly due to the improvement of cost control, i.e. decrease in operating costs.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB21.8 million or 26.1% from approximately RMB83.5 million for the six months ended 30 June 2018 to approximately RMB61.7 million for the six months ended 30 June 2019. The decreased in revenue was mainly attributable to the decrease in sales volume of our branded watches.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Our cost of sales decreased by approximately RMB12.9 million or 19.2% from approximately RMB67.3 million for the six months ended 30 June 2018 to approximately RMB54.4 million for the six months ended 30 June 2019. The decrease primarily consistent with the decrease in revenue by 26.1% for the period.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB8.9 million or 54.9% from approximately RMB16.2 million for the six months ended 30 June 2018 to approximately RMB7.3 million for the six months ended 30 June 2019. The decrease was mainly due to the sales of the obsolete inventories at a lower price. Our overall gross profit margin decreased from approximately 19.4% for the six months ended 30 June 2018 to approximately 11.8% for the six months ended 30 June 2019.

Other gain and loss

Our other gain and loss recognised a loss of approximately RMB3.3 million for the six months ended 30 June 2019, representing a increase from loss of approximately RMB2.7 million for the six months ended 30 June 2018. The loss was primarily attributable to the unrealised loss on financial assets at fair value through profit or loss of approximately RMB3.3 million. For details of the realised and unrealised loss, please refer to significant investments section.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB14 million from approximately RMB21.1 million for the six months ended 30 June 2018 to approximately RMB7.1 million for the six months ended 30 June 2019. The decrease was primarily attributable to the decrease in advertising expense.

Administrative expenses

Our administrative expenses increased by approximately RMB3.4 million from approximately RMB10.5 million for the six months ended 30 June 2018 to approximately RMB13.9 million for the six months ended 30 June 2019. The increase was mainly attributable to the share option expenses of approximately RMB6.3 million.

Finance costs

There was no finance costs for the six months ended 30 June 2019 while approximately RMB0.7 million for the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss before taxation

As a result of the foregoing, our loss before taxation amounted to approximately RMB17.1 million for the six months ended 30 June 2019 (2018: loss before taxation of approximately RMB18.9 million).

Loss for the period from continuing operations

As a result of the foregoing, loss for the period decreased from approximately RMB21.0 million for the six months ended 30 June 2018 to approximately RMB17.1 million for the six months ended 30 June 2019. Such change was primarily due to the improvement of cost control which result from the Disposal, i.e. decrease in operating costs.

OUTLOOK AND FUTURE PROSPECTS

Going forward, the Group aimed to further develop our business on luxury market and offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch, jewellery and luxury products design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. In view of the Sino-US trade dispute and ongoing political and social unrest mentioned above and also the cooling economy in the PRC, the Group expects 2019 will be a challenging year. The Group will closely monitor the market response and remix the business and product portfolio to suit the market needs, including but not limited to design, manufacture and sales of prestige and high-end watches, jewellery and luxury consumer goods and stay competitive.

Although there is a cooling economy in the PRC, in view of (i) the growing middle-class, (ii) increase of disposal income, in particular among Chinese women; and (iii) the rising women's job participation rate, the Group still believe that there is a strong force behind the consumption of prestige and high-end watches and luxury jewellery and luxury lifestyle consumption products in long run. The Group should allocate more resources and effort to strengthen our design team and consider crossover design with some famous designer so that the Group can offer fashionable and affordable consumption products including watches and jewellery suitable for wearing in workplace.

Looking beyond the near-term uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to shine in the future.

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 2019, the Group's total cash and bank balances were approximately RMB15 million (31 December 2018: approximately RMB6.5 million), most of which are held in RMB. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 27.9 times as at 31 December 2018 to 30.6 times as at 30 June 2019. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group decreased from approximately 1.3% as at 31 December 2018 to approximately 0.3% as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS AND CHARGE ON ASSETS

As at 30 June 2019, none of the assets of the Group has been pledged to secure any loan granted to the Group.

CAPITAL COMMITMENT

As at 30 June 2019, the Group did not have any material capital commitment (31 December 2018: 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 2019, 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 2019 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 2019 and 31 December 2018.

DIVIDEND PAYMENT

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

SIGNIFICANT ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2019, there were no material acquisitions or disposals of subsidiaries and associated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

At 30 June 2019, detail of the significant investments are as follows:

Name of investee	As at 1 January 2019 RMB'000	Loss on disposal RMB'000	Fair value loss RMB'000	As at 30 June 2019 RMB'000	Percentage to the Group's audited total assets as at 30 June 2019 %	Number of shares held by the Group as at 1 January 2019	Percentage of shareholding held by the Group as at 1 January 2019 %	Number of shares held by the Group as at 30 June 2019	Percentage of shareholding held by the Group as at 30 June 2019 %
Significant investments									
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note (a))	4,382	-	(910)	3,490	0.74%	81,776,000	4.11%	81,776,000	4.11%
Sub-total	4,382	-	(910)	3,490	0.74%				
Other listed securities	6,446	-	(2,370)	4,893	1.03%				
Total	10,828	-	(3,280)	8,383	1.77%				

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 interim result for the six months ended 30 June 2019, revenue and loss of China Automotive was approximately RMB110,000,000 and RMB18,376,000 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 2019, 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 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 113 (31 December 2018: 179) employees. The total remuneration costs incurred by the Group for the six months ended 30 June 2019 were approximately RMB9.2 million (for the six months ended 30 June 2018: approximately RMB6.4 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2019, 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 2019, 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

Name of Shareholder	Number of issued ordinary shares/underlying shares of the Company				Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total	
Mr. Lin Zhiqiang ("Mr. Lin")					
– Ordinary shares in issue	–	–	205,367,020 (Note b)	205,367,020	
– Unlisted share options	818,833	800,000 (Note a)	–	1,618,833	
	818,833	800,000	205,367,020	206,985,853	5.97%
Ms. Yan Xiaotong ("Ms. Yan")					
– Ordinary shares in issue	–	–	205,367,020 (Note b)	205,367,020	
– Unlisted share options	800,000	818,833 (Note c)	–	1,618,833	
	800,000	818,833	205,367,020	206,985,853	5.97%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- a. The family interests of 800,000 share options represent the interest of the wife of Mr. Lin.
- b. These shares are held 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 818,833 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 2019 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 2019.

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 2019.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2019, 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 13 June 2019.

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019.

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 2019.

BOARD OF DIRECTORS

As at 30 June 2019, 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 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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 2019, together with the comparative unaudited figures for the corresponding period in 2018 as follows:

	Notes	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3	61,717	83,463
Cost of sales		(54,445)	(67,266)
Gross profit		7,272	16,197
Other gain and loss	4	(3,280)	(2,706)
Selling and distribution expenses		(7,147)	(21,108)
Administrative expenses		(13,934)	(10,508)
Finance costs	5	–	(731)
Loss before taxation		(17,089)	(18,856)
Taxation	6	–	(2,176)
Loss for the period	7	(17,089)	(21,032)
Other comprehensive income for the period, net of tax			
Exchange differences on translation of foreign operations		2,173	6,532
Other comprehensive income for the period, net of tax		2,173	6,532
Total comprehensive loss for the period		(14,916)	(14,500)
Loss for the period attributable to:			
– Owners of the Company		(17,089)	(21,032)
– Non-controlling interests		–	–
		(17,089)	(21,032)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(14,916)	(14,500)
– Non-controlling interests		–	–
		(14,916)	(14,500)
Loss per share attributable to owners of the Company			
– Basic and diluted (RMB) (cents)		(0.5)	(0.6)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	29,931	31,727
Goodwill		3,100	3,100
		33,031	34,827
CURRENT ASSETS			
Inventories		110,878	149,296
Trade receivables	11	107,024	72,179
Deposits, prepayments and other receivables		198,842	209,806
Financial assets at fair value through profit or loss		8,383	10,828
Cash and bank balances		15,007	6,495
		440,134	448,604
CURRENT LIABILITIES			
Trade payables	12	2,673	3,658
Accruals and other payables		10,059	6,284
Income tax payables		207	145
Lease liabilities		1,462	6,000
		14,401	16,087
NET CURRENT ASSETS		425,733	432,517
TOTAL ASSETS LESS CURRENT LIABILITIES		458,764	467,344
NET ASSETS		458,764	467,344
CAPITAL AND RESERVES			
Share capital	13	29,181	29,181
Reserves		429,583	438,163
TOTAL EQUITY		458,764	467,344

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 2019 (Audited)	29,181	471,765	-	14,976	9,775	-	-	(58,353)	467,344	-	467,344
Loss for the period	-	-	-	-	-	-	-	(17,089)	(17,089)	-	(17,089)
Other comprehensive income for the period	-	-	-	2,173	-	-	-	-	2,173	-	2,173
Total comprehensive loss for the period	-	-	-	2,173	-	-	-	(17,089)	(14,916)	-	(14,916)
Share options granted	-	-	-	-	6,336	-	-	-	6,336	-	6,336
At 30 June 2019 (Unaudited)	29,181	471,765	-	17,149	16,111	-	-	(75,442)	458,764	-	458,764

	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 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Net cash generated from operating activities	11,256	3,708
Net cash (used in)/generated from investing activities	(379)	298
Net cash used in financing activities	(4,538)	(12,368)
Net increase/(decrease) in cash and cash equivalents	6,339	(8,362)
Effect of foreign exchange rates changes	2,173	5,498
Cash and cash equivalents at the beginning of the period	6,495	16,204
Cash and cash equivalents at the end of the period	15,007	13,340

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 (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 and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery 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”)

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

New and revised HKFRSs in issue but not yet effective

The Group has not early adopted the following new or amended HKFRSs which have been issued but are not yet effective for the current accounting period:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

HKFRS 16 Leases

The Group leases various offices. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including insubstance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

HKFRS 16 Leases (Continued)

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Branded watches:		
Prestige and high-ended watch	33,521	39,722
Extreme watch	323	1,401
Others	19,860	28,599
OEM watches	2,123	5,466
Third-party watches	5,890	8,275
	61,717	83,463

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. OPERATING SEGMENT *(Continued)*

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	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
The PRC	18,983	23,906
Asia (excluding the PRC)	42,734	54,091
Europe	–	5,466
	61,717	83,463

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 2019 and 2018.

4. OTHER GAIN AND LOSS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Realised loss on financial assets at fair value through profit or loss	–	(224)
Unrealised loss on financial assets at fair value through profit or loss	(3,280)	(2,482)
	(3,280)	(2,706)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest arising from finance leases	–	731

6. TAXATION

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Hong Kong profits tax	–	2,176
Deferred taxation reversed in Hong Kong	–	–
	–	2,176

Hong Kong

No Hong Kong profits tax has been provided as no estimated assessable profit arising in or derived from Hong Kong for the six months ended 30 June 2019.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong for the six months ended 30 June 2018.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Total employee expenses (including directors' remuneration)	9,227	6,372
Advertising expenses	6,256	11,996
Cost of inventories recognised as an expense	54,445	67,266
Depreciation of property, plant and equipment	2,175	2,186
Operating lease rental expenses in respect of rented premises	–	228
Net impairment loss on trade receivables	–	5,050

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the period attributable to the owners of the Company	(17,089)	(21,032)

	Six months ended 30 June	
	2019 '000 (Unaudited)	2018 '000 (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. INTERIM DIVIDENDS

The board of directors do not recommend the payment of interim dividend for the six months ended 30 June 2019 (2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group did not acquire any property, plant and equipment (2018: RMB43,544,000).

11. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	107,024	82,098
Less: impairment of trade receivables	–	(9,919)
	107,024	72,179

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 30 days	7,137	4,831
31 to 60 days	10,373	5,432
61 to 90 days	10,249	8,228
91 to 180 days	33,247	4,108
Over 180 days	46,018	49,508
	107,024	72,179

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 2019	9,919
Impairment loss recognised	–
Balance as at 30 June 2019	9,919

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. TRADE PAYABLES

The Group

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	8,894	3,658

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 to 30 days	2,673	3,658
	2,673	3,658

13. SHARE CAPITAL

	Number of shares '000	Nominal value HK'000
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Authorised:

Ordinary shares of HK\$0.01 each

As at 1 January 2019 (Audited) and 30 June 2019 (Unaudited)	13,000,000	130,000
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	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 2019 (Audited) and 30 June 2019 (Unaudited)	3,456,000	34,560	29,181
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019, 345,600 share options has been granted under the Share Option Scheme (2018: Nil).

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 2019 '000	Granted during the period '000	Exercised during the period '000	Lapse/ forfeited during the period '000	Outstanding at 30 June 2019 '000
Employees	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
	11 April 2019	HK\$0.041	11 April 2019 to 10 April 2029	-	345,600	-	-	345,600
Total				36,070	345,600	-	-	381,670