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Time2U International Holding Limited
時 間 由 你 國 際 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1327)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations for the year ended 31 December 2017 amounted to approximately RMB115.8 million (2016: approximately RMB89.6 million), representing an increase of approximately 29.2% as compared with the preceding year.
- Gross profit from continuing operations for the year ended 31 December 2017 was approximately RMB40.7 million (2016: approximately RMB38.4 million), representing an increase of approximately 6.0% as compared with the preceding year.
- Net loss from continuing operations for the year ended 31 December 2017 was approximately RMB89.9 million (2016: approximately RMB20.9 million).
- No dividend was proposed by the Board for the year ended 31 December 2017.

The board (the "Board") of directors (the "Directors") of Time2U International Holding Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000* (Restated)
Continuing operations			
Revenue	*5*	**115,805**	89,627
Cost of sales		**(75,151)**	(51,246)
Gross profit		**40,654**	38,381
Other income and gain	*6*	**1**	77
Change in fair value of financial assets at fair value through profit or loss		**(52,316)**	(12,226)
Realised loss on financial assets at fair value through profit or loss		**(26,209)**	–
Selling and distribution expenses		**(37,248)**	(35,140)
Administrative expenses		**(20,059)**	(14,014)
Finance costs	*7*	**(1,806)**	(5)
Loss before taxation		**(96,983)**	(22,927)
Taxation	*8*	**7,086**	1,997
Loss for the year from continuing operations		**(89,897)**	(20,930)
Discontinued operation			
Loss for the year from discontinued operation	*9*	**(27,178)**	(318,271)
Loss for the year	*10*	**(117,075)**	(339,201)
Other comprehensive (loss)/income for the year, net of tax			
Reclassification adjustments of exchange reserve relating to foreign operations disposed of		**(887)**	–
Exchange differences on translation of foreign operations		**(24,492)**	9,592
Other comprehensive (loss)/income for the year, net of tax		**(25,379)**	9,592
Total comprehensive loss for the year		**(142,454)**	(329,609)

	Notes	**2017** *RMB'000*	2016 *RMB'000* (Restated)
Loss for the year attributable to:			
Owners of the Company		**(113,184)**	(322,514)
Non-controlling interests		**(3,891)**	(16,687)
		(117,075)	(339,201)
Loss for the year attributable to owners of the Company arising from:			
Continuing operations		**(89,897)**	(20,930)
Discontinued operation		**(23,287)**	(301,584)
		(113,184)	(322,514)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(138,563)**	(312,922)
Non-controlling interests		**(3,891)**	(16,687)
		(142,454)	(329,609)
Loss per share attributable to owners of the Company	*12*		
For continuing and discontinued operations			
Basis and diluted (RMB)(cents)		**(3.28)**	(13.03)
For continuing operations			
Basis and diluted (RMB)(cents)		**(2.60)**	(0.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**37,587**	85,163
Prepaid lease payments		**–**	12,586
Goodwill		**11,917**	12,826
		49,504	110,575
Current assets			
Prepaid lease payments		**–**	327
Inventories		**120,684**	93,232
Trade receivables	*13*	**98,031**	80,020
Financial asset at fair value through profit or loss		**22,063**	94,405
Deposits, prepayments and other receivables		**290,611**	102,356
Tax receivables		**–**	116
Cash and bank balances		**16,204**	306,917
		547,593	677,373
Liabilities			
Current liabilities			
Trade payables	*14*	**–**	391
Accruals and other payables		**21,653**	51,214
Income tax payables		**168**	–
Bank borrowings		**–**	31,000
Obligations under finance lease – due within 1 year		**11,302**	–
		33,123	82,605
Net current assets		**514,470**	594,768
Total assets less current liabilities		**563,974**	705,343
Non current liabilities			
Deferred taxation		**–**	7,604
Obligations under finance lease – due after 1 year		**10,483**	–
		10,483	7,604
Net assets		**553,491**	697,739

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2017

	2017 *RMB'000*	2016 *RMB'000*
Equity		
Share capital	**29,181**	29,181
Reserves	**524,310**	662,873
Equity attributable to owners of the Company	**553,491**	692,054
Non-controlling interests	**–**	5,685
Total equity	**553,491**	697,739

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 17, 7/F, Block 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

Statement of compliance

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

Amendments to HKFRSs that are mandatory effective for the current year

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group's liabilities arising from financing activities consist of bank borrowing and obligation under finance lease.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

Annual Improvement to HKFRSs 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual (improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package arc not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect n the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

4. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches. During the year, the major line of business i.e. sale and manufacturing of economical watches was discontinued upon the disposal of Speedy Glory Limited and its subsidiaries.

The information reported below does not include any amounts for the discontinued operation, which are disclosed more detail in note 9.

A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Revenue from major products

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Branded watches:		
Prestige and high-ended watch	**50,572**	67,832
Extreme watch	**–**	216
OEM watches	**38,392**	10,362
Third-party watches	**26,841**	11,217
	115,805	89,627

Geographical information

Detailed below is information about the Group's turnover from external customers analysed by their geographical location: Group's operations are located in HK and the PRC.

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Asia (excluding the PRC)	**77,413**	79,265
The PRC	**29,223**	10,362
Europe	**9,169**	–
	115,805	89,627

Information about major customers

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2017 and 2016.

5. REVENUE

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Branded watches	**50,572**	68,048
OEM watches	**38,392**	10,362
Third-party watches	**26,841**	11,217
	115,805	89,627

6. OTHER INCOME AND GAIN

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Bank interest income	**1**	–
Sundry income	**–**	77
	1	77

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Finance charges on obligations under finance lease	**1,806**	–
Interest on borrowings wholly repayable within five years	**–**	5
	1,806	5

8. TAXATION

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Continuing operations:		
Hong Kong profits tax	**273**	20
Deferred taxation credit in Hong Kong	**(7,359)**	(2,017)
	(7,086)	(1,997)

9. DISCONTINUED OPERATION

On 2 May 2017, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Speedy Glory Limited and its subsidiaries ("Disposal Group"), which engaged in sales and manufacturing of economical watches, to an independent third party (the "Purchaser") for cash consideration of approximately RMB151,434,000, which was completed on 30 November 2017.

The operations of the Disposal Group represented a separate major line of business i.e. manufacturing of economical watches of the Group.

The disposal of the manufacturing of watches business was treated as discontinued operation in these consolidated financial statements in accordance with "HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations". The comparative consolidated statement of profit or loss and other comprehensive income and related notes have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

The profit/(loss) for the year from discontinued operation is set out below.

	2017 ***RMB'000***	2016 *RMB'000*
Loss for the year from discontinued operation	**(97,048)**	(318,271)
Gain on disposal of Disposal Group during the year	**69,870**	–
	(27,178)	(318,271)

The results of the discontinued operation included in the loss for the year are set out below.

	2017 ***RMB'000***	2016 *RMB'000*
Turnover	**42,479**	182,185
Cost of sales	**(34,367)**	(145,486)
Gross profit	**8,112**	36,699
Other income and gain	**407**	4,226
Impairment of property, plant and equipment	**–**	(172,983)
Written-down inventories	**–**	(80,945)
Selling and distribution expenses	**(65,557)**	(54,785)
Administrative expenses	**(39,047)**	(47,323)
Finance costs	**(963)**	(1,338)
Loss before taxation	**(97,048)**	(316,449)
Taxation	**–**	(1,822)
Loss for the year from discontinued operation	**(97,048)**	(318,271)
Loss for the year from discontinued operation attributable to:		
Owner of the Company	**(93,157)**	(301,584)
Non-controlling interests	**(3,891)**	(16,687)
	(97,048)	(318,271)

Analysis of asset and liabilities over which control was lost:

	Net assets before netting *RMB'000*	Netting *RMB'000*	Non-current assets after netting *RMB'000*
Net assets			
Property, plant and equipment	65,771	–	65,771
Prepaid lease payments	12,604	–	12,604
Current assets			
Prepaid lease payments	327	–	327
Inventories	85,644	(85,644)	–
Trade receivables	10,954	–	10,954
Deposits, prepayment and other receivables	151,669	(132,842)	18,827
Cash and bank balance	11,482	–	11,482
Current liabilities			
Trade payables	(1,102)	–	(1,102)
Accruals and other payables	(3,761)	–	(3,761)
Amounts due to the Group	(218,843)	218,486	(357)
Bank borrowings	(30,500)	–	(30,500)
Net assets disposal of			84,245

Gain on disposal of subsidiaries

	2017 ***RMB'000***
Cash consideration receivable	**151,434**
Net assets disposal of	**(84,245)**
Release of foreign currency translation reserve	**887**
Non-controlling interests	**1,794**
Gain on disposal	**69,870**

10. LOSS FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Continuing operations		
Loss for the year has been arrived at after charging:		
Other staff costs:		
Salaries and other benefits	**14,068**	1,468
Retirement benefit schemes contribution	**4,200**	111
Total employee expenses	**18,268**	1,579
Advertising expenses	**36,470**	12,713
Auditors' remuneration	**1,200**	1,200
Cost of inventories recognised as cost of sales	**75,151**	51,246
Depreciation of property, plant and equipment	**4,350**	–

11. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

For continuing and discontinued operations

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

	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	**(113,184)**	(322,514)
	'000	*'000*
Number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	**3,456,000**	2,475,683

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB113,184,000 (2016: RMB322,514,000) and the weighted average number of 3,456,000,000 ordinary shares (2016: 2,475,683,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 2016 were the same as basic loss per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

For continuing operations

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

	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	**(89,897)**	(20,930)
	'000	*'000*
Number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	**3,456,000**	2,475,683

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB89,897,000 (2016: RMB20,930,000) and the weighted average number of 3,456,000,000 ordinary shares (2016: 2,475,683,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 2016 were the same as basic loss per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

For discontinued operations

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

	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	**(23,287)**	(301,584)
	'000	*'000*
Number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	**3,456,000**	2,475,683

	2017	2016
	RMB cents	*RMB cents*
Basic and diluted loss per share from discontinued operation	**(0.67)**	(12.18)

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB23,287,000 (2016: RMB301,584,000) and the weighted average number of 3,456,000,000 ordinary shares (2016: 2,475,683,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 2016 were the same as basic loss per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

13. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**98,031**	80,020

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:

	2017	2016
	RMB'000	*RMB'000*
0 to 30 days	**32,244**	27,190
31 to 60 days	**36,188**	48,173
61 to 90 days	**6,908**	2,645
91 to 180 days	**256**	1,302
Over 180 days	**22,435**	710
	98,031	80,020

14. TRADE PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**–**	391

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

	2017	2016
	RMB'000	*RMB'000*
0-30 days	**–**	326
31-60 days	**–**	53
61-90 days	**–**	–
91-180 days	**–**	3
Over 180 days	**–**	9
	–	391

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the draft independent Auditors' report from HLB Hodgson Impey Cheng Limited, the external auditor of the Company (the "Auditor"), on the Group's consolidated financial statements for the Year.

BASIS FOR QUALIFIED OPINION

As disclosed in note 9 to the consolidated financial statements, the Group had disposed of the entire issued share capital of Speedy Glory Limited (the "Disposal") and the Group ceased its control of Speedy Glory Limited and its subsidiaries (the "Disposal Group") upon completion of the Disposal on 30 November 2017 (the "Disposal Date"). The results of the Disposal Group up to the Disposal Date, details of which are set out in Note 9 to the consolidated financial statements, and the gain on disposal of the Disposal Group of approximately RMB69,870,000 are presented as loss from discontinued operations in the Group's consolidated statement of profit or loss and other comprehensive income.

Despite the continuous effort made by the management of the Group, we were not allowed access to the management, accounting records and auditors of the Disposal Group, including the Disposal Group's auditors' audit documentation. As a result, we were unable to carry out audit procedures that we considered necessary to satisfy ourselves as to the nature, completeness, accuracy, existence and valuation of the results, cash flows and other transactions undertaken by the Disposal Group during the period from 1 January 2017 to the Disposal Date as well as the assets and liabilities of the Disposal Group as at the Disposal Date. Consequently, we were unable to determine whether any adjustments were necessary in respect of (i) the results and cash flows of the Disposal Group for the period from 1 January 2017 to the Disposal Date which were included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2017; (ii) the carrying amounts of the assets and liabilities of the Disposal Group as at the Disposal Date as disclosed in Note 9 to the consolidated financial statements and (iii) the gain on disposal of the Disposal Group which was calculated based on the carrying amounts of the assets and liabilities of the Disposal Group as at the Disposal Date.

Any adjustments that might have been found to be necessary in respect of the above may have consequential significant effects on the loss and cash flows of the Group for the year ended 31 December 2017 and the related disclosures in the consolidated financial statements, as well as the disclosures in the consolidated financial statements concerning the Disposal and the nature and amounts of significant transactions and events of the Disposal Group up to the Disposal Date, including transactions with related parties.

Report on Other Matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

BUSINESS REVIEW

The principal business objective of the Group is to become one of the leading fashion watch brand owners internationally. Going forward, the Group aims to further strengthen its established market position and competitiveness not only in the PRC, but also globally. 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 our own brands and the design and sales of 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 during the year (the "Disposal").

The Directors consider that the Disposal and the leaseback arrangement 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 Company decided to conduct the Disposal and at the same time enter into the leaseback arrangement to lease back one production facility of the Target Group after considering all of the aforementioned benefits while maintaining appropriate rights over the leased-back production facilities to ensure a level of production capacity which the Directors expect to still be able to satisfy the demand of production for OEM watches and economical watches for the foreseeable future.

Having taken into account of the below principal factors and reasons, primarily being:

(i) the Directors believe the business of the Group will not be significantly impacted as a result of the Disposal and the leaseback arrangement, as the contribution in revenue from economical watches business has been declining in recent years and the Group would maintain the appropriate rights over the leased-back production facilities after the Disposal and the leaseback arrangement;

(ii) the Directors are optimistic about the future business of the Group, however the Directors are of the view the significant recurring fixed overhead costs of the Disposal Group's factory complex has been dragging down the financial results of the Group;

(iii) the Directors consider the existing production facilities of the Disposal Group are incapable of producing the components required for premium quality products as the compound components and ornaments for mid to high-end watch and watch movements, such as solid white gold and ironic-plated stainless steel watch case, crocodile leather strap, steel, ironic-plated stainless steel bracelet, sapphire glass, small diamonds, zircon and Swarovski stones require more advanced machineries for production; and

(iv) the Directors are in particular of the view that the factory complexes would continue to lose its value and the selling price of the Disposal Group would be lower if the Disposal and the leaseback arrangement happen later. Thus, the Directors consider realising a desirable proceeds at this moment from the Disposal and the leaseback arrangement is beneficial to the Group.

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 REVIEW

Revenue

Our revenue increased by approximately RMB26.2 million or approximately 29.2% from approximately RMB89.6 million (restated) for the year ended 31 December 2016 to approximately RMB115.8 million for the year ended 31 December 2017. The increase in revenue was mainly attributable to increase of sales demand of OEM watches and third party watches during the year.

Cost of sales

Our cost of sales was consistent with the revenue increased by approximately RMB24.0 million or approximately 46.9% from approximately RMB51.2 million (restated) for the year ended 31 December 2016 to approximately RMB75.2 million for the year ended 31 December 2017.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB2.3 million or approximately 6.0% from approximately RMB38.4 million (restated) for the year ended 31 December 2016 to approximately RMB40.7 million for the year ended 31 December 2017 which was in line with the increase in the Company's revenue. Our overall gross profit margin decreased from approximately 42.8% (restated) for the year ended 31 December 2016 to approximately 35.1% for the year ended 31 December 2017. The decrease was mainly attributable to the increase in sales of OEM watches and third party watches which has lower gross profit margin when comparing with prestige and high-ended watches during the year ended 31 December 2017.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB2.1 million or approximately 6.0% from approximately RMB35.1 million (restated) for the year ended 31 December 2016 to approximately RMB37.2 million for the year ended 31 December 2017. The increase was in line with the increase of revenue.

Administrative expenses

Our administrative expenses increased by approximately RMB6.1 million or approximately 43.6% from approximately RMB14.0 million (restated) for the year ended 31 December 2016 to approximately RMB20.1 million for the year ended 31 December 2017. The increase was mainly due to the recognition of share-based payment of approximately RMB5.5 million in relation to the share options granted during the year.

Loss before taxation

As a result of the foregoing, we recorded a loss before taxation of approximately RMB97.0 million for the year ended 31 December 2017 as against a loss before taxation of approximately RMB22.9 million (restated) for the year ended 31 December 2016. The increase was mainly attributable to the increase of realised and unrealised loss of fair value of financial assets at fair value through profit or loss.

Taxation

Our income tax credit was RMB2.0 million (restated) for the year ended 31 December 2016 to tax credit of approximately RMB7.1 million for the year ended 31 December 2017. The change was primarily attributable to the reversal of deferred taxation.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately RMB89.9 million for the year ended 31 December 2017 as against a loss for the year of approximately RMB20.9 million (restated) for the year ended 31 December 2016.

FINANCIAL POSITION

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

As at 31 December 2017, the Group's total cash and bank balances were approximately RMB16.2 million (31 December 2016: approximately RMB306.9 million), most of which are held in RMB and HKD. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 8.2 times as at 31 December 2016 to 16.5 times as at 31 December 2017. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group decreased from approximately 4.5% as at 31 December 2016 to approximately 3.9% as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2 May 2017, the Group entered into a sale and purchase agreement to dispose 100% equity interest in Speedy Glory Limited, which engaged in trading of watches and jewellery, to an independent third party at a consideration of approximately RMB151,434,000. The total consideration shall be satisfied by cash. The disposal was completed on 30 November 2017.

COMPANY'S RESPONSE TO THE QUALIFIED OPINION

The Company expressed that they fully understood and accepted the qualified opinion being made, and understood that such qualification should not affect the Company in forthcoming years. The Board considered that the qualification has no material effect on the operation or financial position of the Company.

SIGNIFICANT INVESTMENTS IN LISTED SECURITIES

Name of investee	As at 1 January 2017	Loss on disposal	Fair value loss	As at 31 December 2017	Percentage to the Group's audited total assets as at 31 December 2017	Number of shares held by the Group as at 1 January 2017	Percentage of shareholding held by the Group as at 1 January 2017	Number of shares held by the Group as at 31 December 2017	Percentage of shareholding held by the Group as at 31 December 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*		*%*		*%*
Significant investments									
Greater China Professional Services Limited ("GreaterChina") (stock code: 8193.HK) *(note (a))*	63,092	(20,123)	(35,955)	2,611	0.4%	110,005,000	2.26%	69,675,000	1.19%
Luen Wong Group Holdings Limited ("Luen Wong") (stock code: 8217.HK) *(note (b))*	4,015	(3,749)	–	–	0.0%	200,000	0.02%	–	–
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) *(note (c))*	14,291	–	(5,319)	8,170	1.4%	81,776,000	4.11%	81,776,000	4.11%
Capital VC Limited ("Capital") (stock code: 2324.HK) *(note (d))*	–	–	(6,157)	1,816	0.3%	–	–%	46,400,000	1.68%
Sub-total	81,398	(23,872)	(47,431)	12,597	2.1%				
Other listed securities	13,007	(2,337)	(4,885)	9,466	1.6%				
Total	94,405	(26,209)	(52,316)	22,063	3.7%				

Notes:

(a) GreaterChina is principally engaged in sub-leasing of office, provision of asset appraisal, corporate consultancy services, property agency services, media advertising services, financial credit services, securities broking, placing and underwriting services and trading of securities. Based on GreaterChina's quarterly report for the nine months ended 31 December 2017, revenue and loss of GreaterChina was approximately HK$44,622,000 and HK$123,677,000 respectively.

(b) Luen Wong is principally engaged in provision of civil engineering works and investment holding. Based on Luen Wong's quarterly report for the nine months ended 31 December 2017, revenue and profit of Luen Wong was approximately HK$592,820,000 and HK$11,724,000 respectively.

(c) 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 report for the six months ended 30 June 2017, revenue and loss of China Automotive was approximately RMB94,392,000 and RMB231,615,000 respectively.

(d) Capital is principally engaged in investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China. Based on Capital's annual report for the year ended 30 September 2017, revenue and loss of Capital was approximately HK$516,172,000 and HK$588,018,000 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 31 December 2017, there was no investment held by the Group the value of which was more than 5% 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 year ended 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 247 (2016: 481) employees. The total remuneration costs incurred by the Group for the financial year 2017 were approximately RMB18.3 million (2016: approximately RMB43.2 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

DEBTS AND CHARGE ON ASSETS

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

	2017	2016
	RMB'000	*RMB'000*
Buildings	**–**	10,362
Prepaid lease payment	**–**	12,915
	–	23,277

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars ("USD"). During the years ended 31 December 2017 and 2016, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2017 and 2016.

GRANT OF SHARE OPTIONS

On 9 November 2017 (the "Date of Grant"), the Board granted 345,600,000 share options under the share option scheme adopted by the Company on 19 December 2014 (the "Share Option Scheme") at an exercise price of HK$0.05 per share, which represents the highest of (i) the closing price of HK$0.05 per Share on the Date of Grant; (ii) the average closing price of HK$0.0422 per share for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK$0.0l per share. Details of the above grant of share options were disclosed in the announcement of the Company dated 9 November 2017.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 and 2016.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

AUDIT COMMITTEE

The audit committee (the "Audit Committee") consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Ms. Duan Baili and Mr. Zhong Weili. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group's financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group's activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

COMPLIANCE WITH CG CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been adopted and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules throughout the year ended 31 December 2017.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities from the Listing Date up to the date of this report.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This results announcement is publish on the Company's website (www.time2u.com) and the website of the Stock Exchange (www.hkexnews.hk). The Company's 2017 Annual Report containing all information required under the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 28 March 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.