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 2018

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 amounted to approximately RMB106.9 million (2017: approximately RMB115.8 million), representing a decrease of approximately 7.7% as compared with the preceding year.
- Gross profit for the year ended 31 December 2018 was approximately RMB19.1 million (2017: approximately RMB40.7 million), representing an decrease of approximately 53.1% as compared with the preceding year.
- Net loss for the year ended 31 December 2018 was approximately RMB106.8 million (2017: approximately RMB89.9 million).
- No dividend was proposed by the Board for the year ended 31 December 2018.

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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Continuing operations			
Revenue	*5*	**106,948**	115,805
Cost of sales		**(87,871)**	(75,151)
Gross profit		**19,077**	40,654
Other income and gain	*6*	**43**	1
Change in fair value of financial assets at fair value through profit or loss		**(9,111)**	(52,316)
Realised loss on financial assets at fair value through profit or loss		**(267)**	(26,209)
Provision for inventories		**(51,846)**	–
Selling and distribution expenses		**(31,329)**	(37,248)
Administrative expenses		**(22,687)**	(20,059)
Impairment loss on goodwill		**(9,146)**	–
Finance costs	*7*	**(1,462)**	(1,806)
Loss before taxation		**(106,728)**	(96,983)
Taxation	*8*	**(89)**	7,086
Loss for the year from continuing operations	*9*	**(106,817)**	(89,897)
Discontinued operation			
Loss for the year from discontinued operation		**–**	(27,178)
Loss for the year		**(106,817)**	(117,075)
Other comprehensive income/(loss) 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		**28,800**	(24,492)
Other comprehensive income/(loss) for the year, net of tax		**28,800**	(25,379)
Total comprehensive loss for the year		**(78,017)**	(142,454)

	Notes	2018 RMB'000	2017 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(106,817)**	(113,184)
Non-controlling interests		**–**	(3,891)
		(106,817)	(117,075)
Loss for the year attributable to owners of the Company arising from:			
Continuing operations		**(106,817)**	(89,897)
Discontinued operation		**–**	(23,287)
		(106,817)	(113,184)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(78,017)**	(138,563)
Non-controlling interests		**–**	(3,891)
		(78,017)	(142,454)
Loss per share attributable to owners of the Company	*11*		
For continuing and discontinued operations			
Basic and diluted (RMB)(cents)		**(3.09)**	(3.28)
For continuing operations			
Basic and diluted (RMB)(cents)		**(3.09)**	(2.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**31,727**	37,587
Goodwill		**3,100**	11,917
		34,827	49,504
Current assets			
Inventories		**149,296**	120,684
Trade receivables	*12*	**72,179**	98,031
Financial asset at fair value through profit or loss		**10,828**	22,063
Deposits, prepayments and other receivables		**209,806**	290,611
Cash and bank balances		**6,495**	16,204
		448,604	547,593
Liabilities			
Current liabilities			
Trade payables	*13*	**3,658**	–
Accruals and other payables		**6,284**	21,653
Income tax payables		**145**	168
Obligations under finance lease – due within 1 year		**6,000**	11,302
		16,087	33,123
Net current assets		**432,517**	514,470
Total assets less current liabilities		**467,344**	563,974
Non current liabilities			
Obligations under finance lease – due after 1 year		**–**	10,483
		–	10,483
Net assets		**467,344**	553,491
Equity			
Share capital		**29,181**	29,181
Reserves		**438,163**	524,310
Total equity		**467,344**	553,491

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 and jewelleries, including but not limited to diamond watches, tourbillion watches and luxury jewellery accessories, 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 adopted 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")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
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

Except as described below, the application of the new and amendments to HKFRSs and an interpretation 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.

The above new and revised 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.

Impact on the consolidated financial statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017** *RMB'000*	**HKFRS 9** *RMB'000*	**HKFRS 15** *RMB'000*	**1 January 2018** *RMB'000*
Current assets				
Trade receivables	98,031	(7,816)	–	90,215
Deposits, prepayments and other receivables	290,611	(314)	–	290,297
Current liabilities				
Accruals and other payables	21,653	–	(4,256)	17,397
Contract liabilities	–	–	4,256	4,256
Net current assets	514,470	(8,130)	–	506,340
Net assets	553,491	(8,130)	–	545,361
Capital and reserves				
Reserves	524,310	(8,130)	–	516,180
Total equity	553,491	(8,130)	–	545,361

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation 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, and 2) expected credit losses ("ECL") for financial assets.

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 under ECL model) 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 retained profits 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 Investment: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in notes to consolidated financial statements.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

There is no reclassification or remeasurement of the financial assets, including trade receivables, deposit and other receivables, bank deposit and cash balances for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at the date of initial application have not been impacted by the initial application of IFRS 9.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits, other receivables and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Other financial assets measured at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The following table summarized the impact, net of tax, of transition HKFRS 9 on the opening balance of retained profits as at 1 January 2018 as follow:

	RMB'000
As at 31 December 2017	51,094
Decrease in expected credit loss ("ECLs") in	
– Trade receivables	(7,816)
– Other receivables	(314)
As at 1 January 2018 (restated)	42,964

All loss allowances, including trade receivables and other receivables at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables *RMB'000*	**Other receivables** *RMB'000*
At 31 December 2017 – HKAS 39	–	–
Amounts re-measured through opening – retained earnings	(7,816)	(314)
At 1 January 2018 – HKFRS 9	(7,816)	(314)

HKFRS 15 Revenue from Contracts with Customers and the related amendments

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

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. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

Manufacturing, trading and retailing business of watch

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes to the audited consolidated financial statements.

Except for the reclassification of the contract liabilities from receipt in advance of RMB4,256,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

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. No impairment allowance was recognised at 1 January 2018.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
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 business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after a date to be determined.

4. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches.

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

Revenue from major products

	2018	2017
	RMB'000	*RMB'000*
Continuing operations:		
Branded watches	**85,691**	50,572
OEM watches	**5,380**	38,392
Third-party watches	**15,877**	26,841
	106,948	115,805

Geographical information

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

	2018 *RMB'000*	2017 *RMB'000*
Asia (excluding the PRC)	**39,255**	77,413
The PRC	**62,320**	29,223
Europe	**5,373**	9,169
	106,948	115,805

Information about major customers

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2018 and 2017.

5. REVENUE

	2018 *RMB'000*	2017 *RMB'000*
Continuing operations:		
Branded watches	**85,691**	50,572
OEM watches	**5,380**	38,392
Third-party watches	**15,877**	26,841
Total revenue recognised at a point in time	**106,948**	115,805

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contract is not disclosed.

6. OTHER INCOME AND GAIN

	2018 *RMB'000*	2017 *RMB'000*
Continuing operations:		
Bank interest income	**–**	1
Dividend income	**43**	–
	43	1

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Continuing operations:		
Finance charges on obligations under finance lease	**1,462**	1,806

8. TAXATION

	2018	2017
	RMB'000	*RMB'000*
Continuing operations:		
Hong Kong profits tax	**89**	273
Deferred taxation credit in Hong Kong	**–**	(7,359)
	89	(7,086)

9. LOSS FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Continuing operations		
Loss for the year has been arrived at after charging:		
Other staff costs:		
Salaries and other benefits	**9,699**	14,068
Retirement benefit schemes contribution	**2,020**	4,200
Total employee expenses	**11,719**	18,268
Advertising expenses	**22,278**	36,470
Auditors' remuneration	**1,200**	1,200
Cost of inventories recognised as cost of sales	**87,871**	75,151
Depreciation of property, plant and equipment	**4,350**	4,350
Allowance for expected credit losses	**2,103**	–
Share based payment expense	**–**	5,500

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11. 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:

	2018	2017
	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	**(106,817)**	(113,184)
	'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

(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 RMB106,817,000 (2017: RMB113,184,000) and the weighted average number of 3,456,000,000 ordinary shares (2017: 3,456,000,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2018 and 2017 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:

	2018	2017
	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)
	'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
	2018	2017
	RMB cents	*RMB cents*
Basic and diluted loss per share from discontinued operation	**–**	(0.67)

(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 RMBNil (2017: RMB23,287,000) and the weighted average number of 3,456,000,000 ordinary shares (2017: 3,456,000,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2018 and 2017 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.

12. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**82,098**	98,031
Less: Allowance for expected credit losses	**(9,919)**	–
	72,179	98,031

The Group generally allows credit period of 0 to 180 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:

	2018	2017
	RMB'000	*RMB'000*
0 to 30 days	**4,831**	32,244
31 to 60 days	**5,432**	36,188
61 to 90 days	**8,228**	6,908
91 to 180 days	**4,180**	256
Over 180 days	**49,508**	22,435
	72,179	98,031

13. TRADE PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**3,658**	–

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:

	2018	2017
	RMB'000	*RMB'000*
0-30 days	**3,658**	–
	3,658	–

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2018:

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and consolidated cash flow for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Corresponding figures

As disclosed in note 12 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 12 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 operation in the Group's consolidated statement of profit or loss and other comprehensive income.

As explained in our auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2017, we were not allowed access to the management, accounting records and auditors of 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 completion of the Disposal on Disposal Date as well as the assets and liabilities of the Disposal Group as at the Disposal Date. Details of the Disposal are set out in note 12 to the consolidated financial statements. 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 12 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. Our audit opinion on the consolidated financial statements for the year ended 31 December 2017 was modified accordingly. Our opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

BUSINESS REVIEW

The principal business objective of the Group is to become one of the leading fashion luxury watch and jewellery 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 including but not limited to jewelleries, diamond watches, tourbillion watches and luxury jewellery accessories, in Hong Kong.

In 2018, the Group continued to focus on its business operations which (i) cooperate with different industry experts to design and sales of prestige and high-end watches and accessories, 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) 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, 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 moderation in retail sales in Hong Kong. According to the statistics from The Census and Statistics Department, retail sales of the jewellery, watches and clocks category in Hong Kong has become even weaker since November 2018 when comparing with 2017.

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 and jewellery 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 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 and jewelleries 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 jewelleries and accessories 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 watches and jewelleries 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.

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 arose because of the possible effect on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2017. The Board would like to emphasize and auditors confirmed that they do not have any modified opinion on the figures in relation to the year ended 31 December 2018.

The Board considered that there is no material effect on the operation or financial position of the Company and its subsidiaries.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB8.9 million or approximately 7.7% from approximately RMB115.8 million for the year ended 31 December 2017 to approximately RMB106.9 million for the year ended 31 December 2018. The decrease in revenue was mainly attributable to (i) decrease of sales demand of OEM watches and third party watches notwithstanding it had partially offset by the increase in sales demand of branded watches; and (ii) the decrease in average selling price for the year ended 31 December 2018.

Cost of sales

Our cost of sales increased by approximately RMB12.7 million or approximately 16.9% from approximately RMB75.2 million for the year ended 31 December 2017 to approximately RMB87.9 million for the year ended 31 December 2018. The increase was mainly due to the increase in sales demand of branded watches.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB21.6 million or approximately 53.1% from approximately RMB40.7 million for the year ended 31 December 2017 to approximately RMB19.1 million for the year ended 31 December 2018 which was in line with the decrease in the average selling price for the year ended 31 December 2018. Our overall gross profit margin decreased from approximately 35.1% for the year ended 31 December 2017 to approximately 17.8% for the year ended 31 December 2018. The decrease was mainly attributable to the decrease in average selling price during the year ended 31 December 2018.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB5.9 million or approximately 15.9% from approximately RMB37.2 million for the year ended 31 December 2017 to approximately RMB31.3 million for the year ended 31 December 2018. The decrease was in line with the decrease of revenue.

Administrative expenses

Our administrative expenses increased by approximately RMB2.6 million or approximately 13.1% from approximately RMB20.1 million for the year ended 31 December 2017 to approximately RMB22.7 million for the year ended 31 December 2018.

Loss before taxation

As a result of the foregoing, our loss before taxation remained stable which increased approximately RMB9.7 million to approximately RMB106.7 million for the year ended 31 December 2018 as against a loss before taxation of approximately RMB97.0 million for the year ended 31 December 2017.

Taxation

Our income tax credit was RMB7.1 million for the year ended 31 December 2017 and our income tax expense was approximately RMB89,000 for the year ended 31 December 2018. The change was primarily attributable to the reversal of deferred taxation which recognised in 2017.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately RMB106.8 million for the year ended 31 December 2018 as against a loss for the year of approximately RMB117.1 million for the year ended 31 December 2017.

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 2018, the Group's total cash and bank balances were approximately RMB6.5 million (31 December 2017: approximately RMB16.2 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 16.5 times as at 31 December 2017 to 27.9 times as at 31 December 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 1.3% as at 31 December 2018.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2018.

SIGNIFICANT INVESTMENTS IN LISTED SECURITIES

Name of investee	As at 1 January 2018 RMB'000	Loss on disposal RMB'000	Fair value loss RMB'000	As at 31 December 2018 RMB'000	Percentage to the Group's audited total assets as at 31 December 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 31 December 2018	Percentage of shareholding held by the Group as at 31 December 2018 %
Significant investments									
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) *(note (a))*	8,170	–	(4,099)	4,382	0.91%	81,776,000	4.11%	81,776,000	4.11%
Hao Wen Holdings Limited ("Hao Wen") (stock code: 8019.HK) *(note (b))*	5,411	–	(2,867)	2,745	0.57%	62,500,000	0.30%	62,500,000	0.30%
Sub-total	13,581	–	(6,966)	7,127	1.48%				
Other listed securities	8,482	(267)	(2,145)	3,701	0.77%				
Total	22,063	(267)	(9,111)	10,828	2.25%				

Notes:

(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 result announcement for the year ended 31 December 2018, revenue and loss of China Automotive was approximately RMB194,527,000 and RMB64,925,000 respectively.

(b) Hao Wen is principally engaged in money lending business, processing and trading of electronic parts. Based on Hao Wen's annual result announcement for the year ended 31 December 2018, revenue and loss of Hao Wen was approximately RMB74,676,000 and RMB9,755,000 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 2018, 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 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 179 (2017: 247) employees. The total remuneration costs incurred by the Group for the financial year 2018 were approximately RMB11.7 million (2017: approximately RMB18.3 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

As at 31 December 2018, none of the assets of the Group has been pledged to secure any banking facilities granted to the Group (2017: Nil).

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and Hong Kong 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 2018 and 2017, 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 2018 and 2017.

CONTINGENT LIABILITIES

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

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: 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 2018 have been reviewed by the Audit Committee.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 of the Group as set out in the preliminary announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

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 2018 expect for the following deviation:

Code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director, Mr. Zhong Weili, was unable to attend the annual general meeting of the Company held on 11 June 2018. For deviations from code provision A.6.7 of the Corporate Governance Code, the Company Secretary had reminded the relevant independent non-executive Director as well as the current independent non-executive Directors to attend general meetings of the Company in future.

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 2018.

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 during the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This results announcement is published on the Company's website (www.hklistco.com/1327) and the website of the Stock Exchange (www.hkexnews.hk). The Company's 2018 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 2019

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.