

Time2U

Time2U International Holding Limited
時間由你國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1327



Interim Report

2015

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INTERIM RESULTS

The Board of Directors (the “Board”) of Time2U International Holding Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

On behalf of the board (the "Board") of directors (the "Directors") of Time2U International Holding Limited (the "Company"), I am delighted to present the first interim report of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2015 since the listing of the Company's shares ("Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 January 2015 (the "Listing Date").

RESULTS

The Group's net profit for six months ended 30 June 2015 amounted to approximately RMB37.0 million, representing a decrease of approximately RMB25.5 million as compared with approximately RMB62.5 million for the corresponding six months ended 30 June 2014. The decrease was mainly attributable to the recognition of share based payment regarding the share options issued in June 2015 and the listing expense occurred during the initial public offering. If such factors were taken out, the operations result for the current period became approximately RMB62.9 million, which remains stable compared with last corresponding period.

DIVIDEND PAYMENT

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

OUTLOOK AND FUTURE PROSPECTS

The Group is a domestic watch brand-owner of economical quartz analogue watches and an OEM manufacturer of quartz analogue watches in the PRC. The Group has two principal lines of business operations, namely, the design, production and assembly of watches for our OEM customers and the design, manufacture and sale of watches under the brand name Time2U, Jonquet and sub-brand name Color.

The Group has been listed successfully on the Stock Exchange since 30 January 2015 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for its further expansion.

The global quartz watch retail market is predicted to grow at a slow pace from 2014 to 2016. With the intensifying competition in quartz watch market, the Group will continue its focus on the expansion of our branded watches business operation domestically and internationally by intensifying our marketing activities to promote our brand awareness as well as establishment of comprehensive on-line sales platform.

Going forward, the Group will strengthen its competitiveness by improving our watch design and development capabilities through enhancing the design knowledge of existing design team and recruitment of additional talents, as well as establishing mould design and fabrication centre for production of moulds in-house, aligned with upgrading our manufacturing facilities and equipment to improve our production efficiency and capacities. In this way, the Group's financial performance can be strengthened and optimal benefits will be brought to its shareholders.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the Shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

Lin Zhiqiang

Chairman

Hong Kong, 31 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a domestic watch brand-owner of economical quartz analogue watches and an OEM manufacturer of quartz analogue watches in the PRC. The Group has two principal lines of business operations, namely, the design, production and assembly of watches for our OEM customers and the design, manufacture and sale of watches under the brand name Time2U, Jonquet and sub-brand name Color.

The Group has been listed successfully on the Stock Exchange since 30 January 2015 which enhanced the Group's reputation, strengthened the corporate governance and compliance management, as well as established a good foundation for its further expansion.

The Group's net profit for the six months ended 30 June 2015 amounted to approximately RMB37.0 million, representing a decrease of approximately RMB25.5 million as compared with approximately RMB62.5 million for the six months ended 30 June 2014. The decrease was mainly attributable to the recognition of share based payment regarding the share options issued in June 2015 and the listing expense occurred due to the initial public offering. If such factors were taken out, the operations result for the current period became approximately RMB62.9 million, which remain stable with last corresponding period.

DIVIDEND PAYMENT

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB34.5 million or 9.8% from approximately RMB352.7 million for the six months ended 30 June 2014 to approximately RMB387.2 million for the six months ended 30 June 2015. The increase in revenue was mainly attributable to the increase in sales volume of our branded watches, and the increase in demand for our OEM watches.

Cost of sales

Our cost of sales increased by approximately RMB36.4 million or 15.9% from approximately RMB229.8 million for the six months ended 30 June 2014 to approximately RMB266.2 million for the six months ended 30 June 2015. The increase primarily reflected the increase in revenue by 9.8% for the period.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB2.0 million or 1.6% from approximately RMB123.0 million for the six months ended 30 June 2014 to approximately RMB121.0 million for the six months ended 30 June 2015. Our overall gross profit margin also slightly decreased from 34.9% for the six months ended 30 June 2014 to 31.3% for the six months ended 30 June 2015. The decrease of both gross profit and gross profit margin was mainly due to increase in sales of products with lower profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gain

Our other income and gain increased by approximately RMB0.7 million or 59.9% from approximately RMB1.0 million for the six months ended 30 June 2014 to approximately RMB1.7 million for the six months ended 30 June 2015. The increase was primarily attributable to increase in bank interest income driven by the increase in time deposit.

Selling and distribution expenses

Our selling and distribution expenses remained stable which slightly increased by approximately RMB0.2 million or 1.3% from approximately RMB18.1 million for the six months ended 30 June 2014 to approximately RMB18.3 million for the six months ended 30 June 2015.

Administrative expenses

Our administrative expenses increased by approximately RMB26.7 million or 167.5% from approximately RMB16.0 million for the six months ended 30 June 2014 to approximately RMB42.7 million for the six months ended 30 June 2015. The increase was mainly attributable to (i) the increase in listing expenses by approximately RMB5.4 million which mainly reflected our Listing; (ii) the recognition of share based payment of approximately RMB20.6 million regarding the share options issued in June 2015.

Share of loss on an associate

Our share of loss on an associate decreased by approximately RMB0.3 million or 60.7% from approximately RMB0.5 million for the six months ended 30 June 2014 to approximately RMB0.2 million for the six months ended 30 June 2015, which primarily reflected the loss recognised by Temps de Mode Limited as compared with the same period last year.

Finance costs

Our finance costs decreased by approximately RMB3.0 million or 72.1% from approximately RMB4.2 million for the six months ended 30 June 2014 to approximately RMB1.2 million for the six months ended 30 June 2015. The decrease was primarily attributable to decrease in borrowings during the six months ended 30 June 2015 as compared to the balance during the six months ended 30 June 2014.

Profit before taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB25.0 million or 29.3% from approximately RMB85.3 million for the six months ended 30 June 2014 to approximately RMB60.3 million for the six months ended 30 June 2015.

Taxation

Our income tax expenses increased by approximately RMB0.4 million or 2.0% from approximately RMB22.9 million for the six months ended 30 June 2014 to approximately RMB23.3 million for the six months ended 30 June 2015. Our effective tax rate was increased from 26.8% for the six months ended 30 June 2014 to 38.7% for the six months ended 30 June 2015 due to the recognition of share based payment which is non-deductible expense for taxation purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately RMB25.5 million or 40.8% from approximately RMB62.5 million for the six months ended 30 June 2014 to approximately RMB37.0 million for the six months ended 30 June 2015. Our net profit margin also decreased from 17.7% for the six months ended 30 June 2014 to 9.6% for the six months ended 30 June 2015. The decrease was primarily due to the recognition of share based payment regarding the share options issued in June 2015 and the listing expense occurred due to the initial public offering. If such factors were taken out, the operations result for the current period became RMB62.9 million, which remain stable with last corresponding period.

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities and bank borrowings. On 30 January 2015, the Company issued a total of 260,000,000 ordinary shares and raised approximately HK\$134.4 million as a result of the completion of the initial public offering.

As at 30 June 2015, the Group's total cash and bank balances were approximately RMB275.1 million (31 December 2014: approximately RMB82.8 million), most of which are held in RMB. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 2.7 times as at 31 December 2014 to 4.0 times as at 30 June 2015. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from approximately 6.1% as at 31 December 2014 to approximately 9.1% as at 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”)

The net proceeds from the Company’s IPO (after deducting the underwriting fees and related expenses) amounted to approximately HK\$134.4 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 20 January 2015 (the “Prospectus”).

During the period from 20 January 2015, being the date of the Prospectus, to 30 June 2015, the Group has applied the net proceeds as follows:

	Amount available (HK\$’000)	Amount utilised (HK\$’000)	Amount unutilised (HK\$’000)
– Marketing activities for branded watches in the domestic market	41,859	3,972	37,887
– Further developing on-line retail stores for branded watches	22,145	2,901	19,244
– International expansion of sales network	17,464	3,934	13,530
– Upgrading existing watch components	26,556	7,192	19,364
– Addition of more technologically advanced machines and equipment	10,532	53	10,479
– Strengthening core competitiveness by improving watch design and development capabilities	15,844	4,975	10,869
	134,400	23,027	111,373

The unutilised net proceeds are placed in the bank accounts of the Group.

DEBTS AND CHARGE ON ASSETS

The Group had total bank borrowings of approximately RMB54.9 million as at 30 June 2015, while that as at 31 December 2014 was approximately RMB26.1 million. These bank borrowings are secured by the Group’s assets with an aggregate carrying amount of approximately RMB53.1 million and RMB21.2 million as at 30 June 2015 and 31 December 2014 respectively.

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 (“USD”). During the six months ended 30 June 2015, 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.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 30 June 2015 and 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had a total of 1,731 employees. The total remuneration costs incurred by the Group for the six months ended 30 June 2015 were approximately RMB52.1 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. The Company adopted a share option scheme to enable it to grant share options to, among others, selected eligible employees as incentive or reward for their contributions.

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

During the six months ended 30 June 2015, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

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

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

Long position in issued ordinary shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Lin Zhiqiang ("Mr. Lin")	Interest in controlled corporation (Note)	448,367,020	56.05%
Ms. Yan Xiaotong ("Ms. Yan")	Interest in controlled corporation (Note)	448,367,020	56.05%

Note: These Shares are held by Visual Wise Limited (the "Visual Wise"), which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%. Mr. Lin and Ms. Yan are spouses to each other and they are deemed to be interested in the shares in which his/her spouse is interested.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2015, the following persons (other than the Directors or chief executives of the Company) 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	Capacity	Number of Shares	Approximate percentage of shareholding
Visual Wise	Beneficial owner	448,367,020	56.05%

Note: These Shares are held by Visual Wise, which is owned by Mr. Lin as to 62% and by Ms. Yan as to 38%.

Save as disclosed above and in "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company", as at 30 June 2015, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 2015 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 2015.

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 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE CODE

The Company has adopted and complied with Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the 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 2015.

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. 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 2015.

BOARD OF DIRECTORS

As at 30 June 2015, the Board comprises four Executive Directors and three Independent Non-executive Directors as follows:

Executive Directors

Mr. Lin Zhiqiang
Ms. Yan Xiaotong
Mr. Dang Shuguo
Mr. See Ching Chuen

Independent Non-Executive Directors

Mr. Chang Wei
Mr. Nie Xing
Mr. Yu Chon Man

By order of the Board

Lin Zhiqiang
Chairman

31 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

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 2015, together with the comparative unaudited figures for the corresponding period in 2014 as follows:

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	387,229	352,745
Cost of sales		(266,214)	(229,750)
Gross profit		121,015	122,995
Other income and gain		1,673	1,046
Selling and distribution expenses		(18,312)	(18,072)
Administrative expenses		(42,703)	(15,961)
Share of loss on an associate		(200)	(509)
Finance costs	4	(1,161)	(4,164)
Profit before taxation		60,312	85,335
Taxation	5	(23,331)	(22,871)
Profit for the period	6	36,981	62,464
Other comprehensive loss for the period, net of tax			
Exchange differences on translation of foreign operations		(184)	(443)
Other comprehensive loss for the period, net of tax		(184)	(443)
Total comprehensive income for the period		36,797	62,021
Profit for the period attributable to:			
– Owners of the Company		35,050	61,698
– Non-controlling interests		1,931	766
		36,981	62,464

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Total comprehensive income for the period attributable to:			
– Owners of the Company		34,866	61,255
– Non-controlling interests		1,931	766
		36,797	62,021
Earnings per share attributable to owners of the Company			
– Basic and diluted (RMB) (cents)	7	4.5	9.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Interests in associates		—	151
Property, plant and equipment		211,698	224,965
Prepaid lease payments		13,082	13,240
		224,780	238,356
CURRENT ASSETS			
Prepaid lease payments		327	327
Inventories		91,110	115,469
Trade receivables	9	125,306	87,913
Deposits, prepayments and other receivables		16,046	7,792
Cash and bank balances		275,082	82,763
		507,871	294,264
CURRENT LIABILITIES			
Trade payables	10	42,016	44,675
Accruals and other payables		18,140	29,731
Amounts due to associates		205	—
Income tax payables		13,050	7,115
Bank borrowings	11	54,859	26,050
		128,270	107,571
NET CURRENT ASSETS		379,601	186,693
TOTAL ASSETS LESS CURRENT LIABILITIES		604,381	425,049
NET ASSETS		604,381	425,049

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
CAPITAL AND RESERVES			
Share capital	12	6,349	1
Reserves		576,657	405,604
Equity attributable to owners of the Company		583,006	405,605
Non-controlling interests		21,375	19,444
TOTAL EQUITY		604,381	425,049

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory surplus reserve	Foreign currency translation reserve	Merger reserve	Share option reserve	Capital reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014 (Audited)	—	—	18,743	5,739	20,011	—	—	—	246,811	291,304	—	291,304
Profit/(loss) for the period	—	—	—	—	—	—	—	—	61,698	61,698	766	62,464
Other comprehensive loss for the period	—	—	—	(443)	—	—	—	—	—	(443)	—	(443)
Total comprehensive income/(loss) for the period	—	—	—	(443)	—	—	—	—	61,698	61,255	766	62,021
Effect of Reorganisation	—	—	—	—	(20,011)	—	11	—	—	(20,000)	—	(20,000)
Changes in ownership interest in a subsidiary	—	—	—	—	—	—	—	3,173	—	3,173	16,827	20,000
Issues of new shares of the Company	1	15,911	—	—	—	—	—	—	—	15,912	—	15,912
Transfer to statutory reserve	—	—	888	—	—	—	—	—	(888)	—	—	—
At 30 June 2014 (unaudited)	1	15,911	19,631	5,296	—	—	11	3,173	307,621	351,644	17,593	369,237

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory surplus reserve	Foreign currency translation reserve	Merger reserve	Share option reserve	Capital reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (Audited)	1	15,911	20,540	5,790	—	—	11	3,173	360,179	405,605	19,444	425,049
Profit for the period	—	—	—	—	—	—	—	—	35,050	35,050	1,931	36,981
Other comprehensive loss for the period	—	—	—	(184)	—	—	—	—	—	(184)	—	(184)
Total comprehensive (loss)/income for the loss	—	—	—	(184)	—	—	—	—	35,050	34,866	1,931	36,797
Issues of shares under the capitalisation issue	5,110	(5,110)	—	—	—	—	—	—	—	—	—	—
Issues of shares under the global offering	1,238	134,933	—	—	—	—	—	—	—	136,171	—	136,171
Transaction costs attributable to issues of shares	—	(14,200)	—	—	—	—	—	—	—	(14,200)	—	(14,200)
Recognition of equity – settled share – based payments	—	—	—	—	—	20,564	—	—	—	20,564	—	20,564
Transfer to statutory reserve	—	—	966	—	—	—	—	—	(966)	—	—	—
At 30 June 2015 (unaudited)	6,349	131,534	21,506	5,606	—	20,564	11	3,173	394,263	583,006	21,375	604,381

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	48,429	102,001
Net cash (used in)/generated from investing activities	(5,545)	5,797
Net cash generated from/(used in) financing activities	149,619	(53,364)
Net increase in cash and cash equivalents	192,503	54,434
Effect of foreign exchange rates changes	(184)	(443)
Cash and cash equivalents at the beginning of the period	82,763	85,551
Cash and cash equivalents at the end of the period	275,082	139,542

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The application of the new HKFRSs in the current period has no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosure, set out in these condensed consolidated interim financial statements.

The nature of the impending changes in accounting policy on adoption is described below.

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

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

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Directors do not anticipate that the application that the application of other HKFRSs will have a material impact on the Group's condensed consolidated financial statements.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

3. OPERATING SEGMENT (Continued)

Turnover from major products

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Branded watches:		
Time2U Watch	70,416	73,720
Color Watch	85,138	83,897
Jonquet Watch	32,755	29,129
OEM watches	198,920	163,241
Third-party watches	—	2,758
	387,229	352,745

Geographical information

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	325,441	297,693
Asia (excluding the PRC)	9,629	19,733
America	47,818	3,345
Europe	4,341	31,745
Africa	—	202
Oceania	—	27
	387,229	352,745

Information about major customer

Revenue from customer contributing over 10% of total sales of the Group during the period is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	40,072	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

4. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years	1,161	4,164

5. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax expense	23,331	22,871

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong.

The PRC

The PRC Enterprise Income Tax (the "PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Total employee expenses (including directors' remuneration)	52,122	30,243
Advertising expenses	5,522	7,911
Amortisation of prepaid lease payments	164	164
Cost of inventories recognised as an expense	266,214	229,750
Depreciation of property, plant and equipment	19,857	10,440
Operating lease rental expenses in respect of rented premises	118	38
Research and development	3,970	1,602

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share, profit for the period attributable to the owners of the Company	35,050	61,698

	Six months ended 30 June	
	2015	2014
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	774,867	644,000

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

8. INTERIM DIVIDENDS

The board of directors do not recommend the payment of interim dividend for the six months ended 30 June 2015 (2014: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

9. TRADE RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables	125,306	87,913

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 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 30 days	60,089	43,342
31 to 60 days	51,526	31,689
61 to 90 days	12,564	11,828
91 to 180 days	214	466
Over 180 days	913	588
	125,306	87,913

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

10. TRADE PAYABLES

The Group

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade payables (Note a)	42,016	44,675

Note:

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 – 30 days	41,788	43,472
31 – 60 days	162	1,203
61 – 90 days	—	—
91 – 180 days	66	—
	42,016	44,675

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

11. BANK BORROWINGS

The Group

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Secured bank borrowings	54,859	26,050
Carrying amounts repayable		
– within one year	54,859	26,050
– more than 1 year but within 2 years	—	—
– more than 2 year but within 5 years	—	—
– over than 5 years	—	—
	54,859	26,050
Less: Amounts classified as current liabilities secured term loan due within 1 year or contain a repayment on demand clause	(54,859)	(26,050)
Amounts classified as non-current liabilities	—	—

12. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000	RMB'000
Authorised: ordinary share of HK\$0.01 each			
As at 31 December 2014, 1 January 2015 and 30 June 2015	1,500,000	15,000	
	Number of shares '000	Nominal value of ordinary share HK\$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
As at 31 December 2014 and 1 January 2015	96	1	1
Issue of shares under the capitalisation issue	643,904	6,439	5,110
Issue of shares under the global offering	156,000	1,560	1,238
As at 30 June 2015	800,000	8,000	6,349

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. SHARE OPTIONS 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 2015, 80,000,000 share options have been granted under the Share Option Scheme.

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

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2015	Number of share options		Outstanding at 30 June 2015
					Exercised during the period	Forfeited during the period	
Executive director							
Lin Zhiqiang	16 June 2015	HK\$0.726	16 December 2015 to 15 June 2025	800,000	—	—	800,000
Yan Xiatong	16 June 2015	HK\$0.726	16 December 2015 to 15 June 2025	800,000	—	—	800,000
Dang Shuguo	16 June 2015	HK\$0.726	16 December 2015 to 15 June 2025	500,000	—	—	500,000
Subtotal				2,100,000	—	—	2,100,000
Other employees and consultants							
	16 June 2015	HK\$0.726	16 December 2015 to 15 June 2025	16,430,000	—	—	16,430,000
	16 June 2015	HK\$0.726	16 June 2015 to 15 June 2025	61,470,000	—	—	61,470,000
Total				80,000,000	—	—	80,000,000

In relation to the options granted to directors of the Company during the period, all of the options will vest six months after the grant date. In relation to the options granted to employees and consultants during the period, 16,430,000 options will vest six months after the grant date, 61,470,000 options do not have vesting period.

The fair value of the options determined at the date of grant using the Black-Scholes option pricing model (the "Black-Scholes Model") was approximately RMB26,763,000 (equivalent to approximately HK\$34,023,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

13. SHARE OPTIONS SCHEMES (Continued)

The following assumptions were used to calculate the fair values of share options:

	16 June 2015
Closing price immediately before the date of grant	HK\$0.68
Exercise price	HK\$0.726
Expected volatility	79%
Expected term	5.06 years
Risk-free rate	1.271%
Expected dividend yield	0%

The Black-Scholes Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of share options are based on directors' best estimate. Change in variables and assumptions may result in changes in fair value of the options.

The Company recognised share based payment amounting to approximately RMB20,564,000 in relation to share options during the six months ended 30 June 2015.

14. OPERATING LEASE ARRANGEMENT

The Group as lessee:

The Group entered into commercial leases on certain warehouses. Leases are generally negotiated for a term of three years. Rentals are fixed at the date of signing of lease agreement. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	431	431
In the second to fifth year inclusive	431	647
	862	1,078

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

15. EVENT AFTER THE REPORTING PERIOD

On 5 August 2015, the Company entered into the agreement with Visual Wise and the placing agent, pursuant to which the placing agent agreed to place, on a best effort basis, the placing shares comprising up to 160,000,000 existing shares at the placing price of HK\$0.40 per placing share on behalf of Visual Wise to not less than six professional, institutional, corporate or individual investors who and whose ultimate beneficial owners will be third parties independent of the Company and its connected persons, and Visual Wise will subscribe for the subscription shares comprising up to 160,000,000 new shares, being the same number of the placing shares actually placed by the placing agent, at the placing price. The placing and the subscription were completed on 12 August 2015 and 19 August 2015 respectively. For details, please refer to the Company's announcements dated 5 August 2015, 10 August 2015 and 19 August 2015.

On 19 August 2015, the principal place of business of the Company in Hong Kong has been changed to 21E YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.