THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Time2U International Holding Limited, you should at once hand this Circular with the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK$0.14 PER RIGHTS SHARE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

Opus Capital Limited
創富融資有限公司

Underwriter of the Rights Issue

中國保盛證券有限公司
CHINA PROSPECT SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Hercules

Hercules Capital Limited

Capitalised terms used in this cover page shall have the same meanings as defined in this Circular.

A letter from the Board is set out on pages 12 to 42 of this Circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 43 to 44 of this Circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 73 of this Circular.

A notice convening the EGM to be held at Lily Room, 3/F, BEST WESTERN PLUS Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong at 11:00 a.m. on Tuesday, 14 June 2016 is set out on pages EGM-1 to EGM-2 of this Circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from 9:00 a.m. on Thursday, 16 June 2016. Dealings in the Rights Shares in their nil-paid form will take place from 9:00 a.m. on Thursday, 30 June 2016 to 4:30 p.m. on Friday, 8 July 2016 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this Circular are to be fulfilled on or before 4:00 p.m. on Monday, 18 July 2016. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this Circular and up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from 9:00 a.m. on Thursday, 30 June 2016 to 4:30 p.m. on Friday, 8 July 2016 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on page 11 of this Circular.

Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriter the expenses in connection with the Rights Issue. If the Underwriter exercises such right, the Rights Issue will not proceed.

27 May 2016

CONTENTS

In this Circular, the following expressions have the following meanings, unless the context otherwise requires:

"Ace Joy"	Ace Joy Global Limited, a company incorporated in the British Virgin Islands with limited liability and Mr. Ng Fai Ching (a private investor in Hong Kong) is the sole shareholder
"Announcement"	the announcement of the Company dated 11 May 2016 in relation to the proposed Rights Issue
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"Bye-Laws"	the bye-laws of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Celestial Award"	Celestial Award Limited, a company incorporated in the British Virgin Islands with limited liability on 3 January 2014
"Circular"	the circular of the Company dated 27 May 2016 to be despatched to the Shareholders in relation to, among other things, further details of the proposed Rights Issue and a notice convening the EGM
"Companies Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)

"Company"	Time2U International Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and to approve the Rights Issue and the transactions contemplated hereunder
"Excluded Shareholder(s)"	the Overseas Shareholder(s) whose address(es) is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Rights Issue

"Independent Financial Adviser"	Hercules Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
"Independent Shareholder(s)"	any Shareholder(s) other than the Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties not connected with or acting in concert with any Directors, chief executive or Substantial Shareholder(s) or its subsidiaries of the Company and their respective associates
"Jiulongjiu"	Hong Kong Jiulongjiu Limited (香港九龍九有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 September 2004, being an indirect wholly-owned subsidiary of the Company
"Last Trading Day"	10 May 2016, being the last trading day for the Shares immediately prior to the date of the Announcement
"Latest Practicable Date"	24 May 2016, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information for inclusion in this Circular
"Latest Time for Acceptance"	the latest time for acceptance for the Rights Shares at 4:00 p.m., on Wednesday, 13 July 2016 or such other time as may be agreed between the Company and the Underwriter
"Latest Time for Termination"	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Monday, 18 July 2016, being the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter

"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	a memorandum of understanding dated 5 February 2016 which was entered into between Touch Moment Group Limited, a wholly-owned subsidiary of the Group, and Ms. Chen Huisui, an Independent Third Party, in respect of the Possible Acquisition
"MOU Announcement"	the announcement of the Company dated 5 February 2016 relating to the MOU
"MOU Vendor"	Ms. Chen Huisui, an Independent Third Party
"OEM"	original equipment manufacturing whereby products are manufactured in accordance with the customer's design and specification and are marketed under the customer's brand name
"Overseas Shareholder(s)"	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
"PRC"	the People's Republic of China, and for the purpose of this Circular, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
"Possible Acquisition"	the possible acquisition of the entire issued share capital of the Target Company. For further details, please refer to the MOU Announcement
"Prospectus"	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter
"Prospectus Documents"	the Prospectus, the PAL and the EAF

"Prospectus Posting Date"	Tuesday, 28 June 2016 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders (or the Prospectus for information only to the Excluded Shareholder(s))
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
"Record Date"	Friday, 24 June 2016, or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the Rights Issue
"Registrar"	Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the Hong Kong branch share registrar of the Company
"Rights Issue"	the proposed issue by way of rights issue to the Qualifying Shareholders on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
"Rights Share(s)"	not less than 2,304,000,000 Shares and not more than 2,445,140,000 Shares to be allotted and issued pursuant to the Rights Issue
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)

"Shares Transfer Agreement"	a shares transfer agreement dated 15 February 2016 entered into between Zhangzhou Hongyuan Watch Industry Co., Ltd.*（漳州宏源錶業有限公司）, Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.*（福建省歐沃斯鐘錶精密技術有限公司）and Zhangzhou Zhanglong Hongqiao Energy Conservation Venture Capital Investment Partnership Enterprise (Limited Partnership)*（漳州市漳龍紅橋節能環保創業投資合夥企業(有限合夥)）in relation to the acquisition of the 20% equity interest in Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.
"Share Options"	share options granted by the Company pursuant to the Share Option Scheme which entitled the holders to subscribe for new Shares
"Share Options Scheme"	the share option scheme of the Company adopted on 30 January 2015
"Speedy Glory"	Speedy Glory Limited, a company incorporated in the British Virgin Islands with limited liability on 4 July 2012, a direct wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.14 per Rights Share
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers issued by the Securities and Futures Commission
"Target Company"	Pok Chiu Development Limited* 博超發展有限公司
"Underwriter" or "China Prospect"	China Prospect Securities Limited 中國保盛證券有限公司, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity under the SFO
"Underwriting Agreement"	the underwriting agreement dated 11 May 2016 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue

"Underwritten Shares"	Not less than 2,304,000,000 Rights Shares and not more than 2,445,140,000 Rights Shares being underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Visual Wise"	Visual Wise Limited, a company incorporated in the British Virgin Islands and a Controlling Shareholder, which is interested in approximately 30.76% of the issued share capital of the Company as at the Latest Practicable Date
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"sq.ft."	square feet
"sq.m."	square metre
"%"	per cent.

For the purpose of this Circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1.00 to HK$1.20. This exchange rate is adopted for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.

* *For identification purpose only*

The expected timetable for the Rights Issue set out below is indicative only:

Event	2016 (Hong Kong Time)
Latest time for lodging transfers of Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Monday, 6 June
Closure of register of members of the Company for transfer of Shares to determine the rights to attend and vote at the EGM (both dates inclusive)	Tuesday, 7 June to Tuesday, 14 June
Latest time for lodging proxy form for the EGM	11:00 a.m. on Sunday, 12 June
Record date for attendance and voting at the EGM	Tuesday, 14 June
Date and time of the EGM	11:00 a.m. on Tuesday, 14 June
Announcement of the results of the EGM	Tuesday, 14 June
Last day of dealing in Shares on a cum-rights basis	Wednesday, 15 June
First day of dealing in Shares on an ex-rights basis	Thursday, 16 June
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Friday, 17 June
Register of members closes to determine the entitlements to the Rights Issue (both dates inclusive)	Monday, 20 June to Friday, 24 June
Record Date for the Rights Issue	Friday, 24 June
Register of members re-opens	Monday, 27 June
Despatch of the Prospectus Documents	Tuesday, 28 June
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 30 June

Event	2016 (Hong Kong Time)
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 5 July
Last day and time of dealings in nil-paid Rights Shares	4:30 p.m. on Friday, 8 July
Latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares	4:00 p.m. on Wednesday, 13 July
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Monday, 18 July
Announcement of the results of the Rights Issue	Wednesday, 20 July
Despatch of certificates for fully-paid Rights Shares	Thursday, 21 July
Despatch of refund cheques if the Rights Issue is terminated and in respect of unsuccessful or partially unsuccessful application for excess Rights Shares	Thursday, 21 July
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 22 July

All times and dates stated in this Circular refer to Hong Kong local times and dates, unless otherwise stated. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal number 8 or above, or a ''black'' rainstorm warning, if such circumstances are:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Time for Acceptance. The Latest Time for Acceptance of and payment for the Rights Shares will not take place at 4:00 p.m. on the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same Business Day instead; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Time for Acceptance. The Latest Time for Acceptance of and payment for the Rights Shares will not take place on the Latest Time for Acceptance, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance and application and payment for excess Rights Shares does not take place, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the Underwriting Agreement by giving written notice to the Company prior to 4:00 p.m. on the Latest Time for Termination if:–

(A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(B) there shall be:

(i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) any change in local, national or international financial, political, industrial or economic conditions;

(iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 10 trading days; or

(vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere; which is or are, in the reasonable opinion of the Underwriter:

(a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or

(b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or

(c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

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)

Executive Directors:
Mr. Lin Zhiqiang
(Chairman and Chief Executive Officer)
Mr. See Ching Chuen
Mr. Zheng Qingjie

Independent non-executive Directors:
Mr. Chang Wei
Mr. Nie Xing
Mr. Yu Chon Man

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in the PRC:
Jinfeng Development Zone
Jinma Road
Zhangzhou City
Fujian Province
PRC

Principal place of business in Hong Kong:
21E YHC Tower
1 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

27 May 2016

To the Qualifying Shareholders and for information purposes only, to the Excluded Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK$0.14 PER RIGHTS SHARE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement where the Company announced the proposed Rights Issue.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to, among others, (i) whether the Rights Issue (including the Underwriting Agreement) is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) voting by the Independent Shareholders, taking into account the recommendation of the Independent Financial Adviser. In connection with this, the Company has appointed, and the Independent Board Committee has approved the appointment of, Hercules Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Rights Issue (including the Underwriting Agreement) are fair and reasonable; and (ii) voting by the Independent Shareholders.

The purpose of this Circular is to provide the Shareholders with, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM at which the relevant resolutions will be proposed to consider and, if thought fit, approve the proposed Rights Issue.

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK$322.56 million and not more than approximately HK$342.32 million, before expenses, by way of the Rights Issue and the details are set out as follows:

Issue Statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK$0.14 per Rights Share payable in full on acceptance
Number of Shares in issue as at the Latest Practicable Date	:	1,152,000,000 Shares
Number of Rights Shares	:	2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date) 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date)

Number of Rights Shares underwritten by the Underwriter	:	Not less than 2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date) by the Underwriter
Number of enlarged Shares in issue upon completion of the Rights Issue	:	Not less than 3,456,000,000 Shares and not more than 3,667,710,000 Shares

As at the Latest Practicable Date, there are outstanding Share Options to subscribe for an aggregate of 70,570,000 new Shares. Assuming full exercise of the subscription rights attaching to the outstanding Share Options on or before the Record Date, an additional 141,140,000 Rights Shares will be issued.

Save as disclosed, the Company has no other derivatives, outstanding convertible securities, options and warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The Rights Issue is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules.

The Rights Shares

Assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date, the 2,304,000,000 Rights Shares proposed to be allotted and issued represents: (i) approximately 200.00% of the Company's issued share capital; and (ii) approximately 66.67% of the Company's issued share capital of 3,456,000,000 Shares as enlarged by the allotment and issue of 2,304,000,000 Rights Shares immediately after completion of the Rights Issue. The aggregate nominal value of the Rights Shares will be HK$23,040,000.00.

Assuming all outstanding Share Options being exercised in full on or before the Record Date, the 2,445,140,000 Rights Shares proposed to be allotted and issued represents: (i) approximately 212.25% of the Company's issued share capital; and (ii) approximately 66.67% of the Company's issued share capital of 3,667,710,000 Shares as enlarged by the allotment and issue of 2,445,140,000 Rights Shares immediately after completion of the Rights Issue. The aggregate nominal value of the Rights Shares will be HK$24,451,400.00.

Subscription Price

The Subscription Price is HK$0.14 per Rights Share, Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 49.09% to the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 24.32% to the theoretical ex-rights price of HK $0.185 based on closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 49.09% to the average closing price of HK$0.275 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 48.72% to the average closing price of HK$0.273 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 81.21% to the unaudited net asset value per Share of approximately HK$0.745 (based on the audited net asset value of the Group of RMB715,621,000 (equivalent to approximately HK$858,745,200) as at 31 December 2015 and 1,152,000,000 Shares in issue as at the Latest Practicable Date); and

(vi) a discount of approximately 12.50% to the closing price of HK$0.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of determining the Subscription Price and the subscription ratio

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; and (ii) the capital needs of the Group. It has been indicated to the Company that the discount of the Subscription Price to the closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Rights Issue. The Directors are of the view that in the event that the Subscription Price is increased and the allotment ratio is lowered, the attractiveness for the Qualifying Shareholders to subscribe for the Rights Shares will likely decrease. The Directors also consider that each Qualifying Shareholder will be provisionally allotted the Rights Shares at the same Subscription Price in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to share in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Apart from the aforesaid, in determining the current subscription ratio for the Rights Issue and the Subscription Price, the Company has also considered the following factors:

(i) the funding requirements of the Company having regard to the need for setting a subscription price at a level acceptable to the Underwriter and all of the Qualifying Shareholders;

(ii) during the negotiation of the Underwriting Agreement, it has been indicated to the Company that a subscription price with a discount to the closing price of the Share is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Rights Issue.

Moreover, the Company has attempted to obtain loan financing from two principal banks for financing its principal business, however, the two aforesaid principal banks indicated that it was unlikely for the Company to obtain loan financing from them at favourable terms or without asset pledge (the "**Banks Rejection**"). The Group has established close collaboration with the two principal banks and has maintained good business relationship with them, having a good credit history and does not have any previous loan default. Through recurring transactions with the two principal banks for the Group's business operation, they are familiar with the capital structure, business operations, funding requirements, cashflow pattern, cash management and financial management system of the Group. As such, given familiarity of the Group's business operations by the two principal banks, the Directors consider that possibility of securing loan financing from the two principal banks is already much higher than from other financial institutions. Therefore, after the Banks Rejection, given the fund raising size and the business scale of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms;

(iii) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from fluctuating market sentiment, capital flow and trend of interest rate, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares; and

(iv) the general declining trend of the prevailing trading prices of the Shares in the past twelve months.

Given that the discount of the Subscription Price and the basis of two (2) Rights Shares for every one (1) existing Share: (i) can provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares as the Company has funding needs; and (ii) can induce the Underwriter to participate in the underwriting of the Underwritten Shares, the Directors are of the view that the current structure of the Rights Issue is fair and reasonable. After deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share will be approximately HK$0.136.

In addition, the Board considered and noted that the discount structure of the Rights Issue is a commercial decision between the Company and the Underwriter, which is required to be approved, as part of the terms of the Rights Issue, by the Independent Shareholders at the EGM. The Shareholders' interests are safeguarded by the fact that the Independent Shareholders, before exercising their respective voting rights, will be advised by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the Rights Issue on the terms proposed. If the Rights Issue is approved at the EGM, it is unlikely that those Independent Shareholders voting in favour of the Rights Issue would subsequently choose not to subscribe for their provisional allotments of the Rights Issue.

The Directors have approached three other underwriters regarding a proposed rights issue for the Company to raise the required funds with structures of lower dilution impact, but no positive feedback was received by the other three underwriters. The Directors have considered, among other factors: (i) the terms of the rights issue proposed by the underwriters; and (ii) the terms of the underwriting agreement including but not limited to the underwriting commission, in selecting the underwriter.

Having considered, among other factors: (i) the funding needs of the Company; (ii) each Qualifying Shareholder will be provisionally allotted the Rights Shares in proportion to his/her/its shareholding held on the Record Date; (iii) the structure of the Rights Issue is required to be approved by the Independent Shareholders at the EGM; and (iv) the terms of the rights issue proposed by other underwriters, the Directors are of the view that the terms of the Rights Issue are fair and reasonable and in the interests of the Shareholders despite:

(i) the potential dilution impact on those Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted; and (ii) the discount of the Subscription Price to the Company's net asset value per Share with reference to the rights issue exercises of other companies listed on the Stock Exchange.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) existing Share held on the Record Date, being not less than 2,304,000,000 Rights Shares and not more than 2,445,140,000 Rights Shares. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (a) be registered on the register of members of the Company; and (b) not being the Excluded Shareholders.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers documents of Shares (together with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 17 June 2016.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Latest Practicable Date, there were: (i) one Overseas Shareholder whose registered address is in British Virgin Islands, representing approximately 30.76% of the total issued Shares as at the Latest Practicable Date; and (ii) three Overseas Shareholders whose registered addresses are in the PRC, representing approximately 8.68% of the total issued Shares as at the Latest Practicable Date. In compliance with the necessary requirements of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the advice provided by the Company's legal advisers as to the laws of British Virgin Islands and the PRC, as at the Latest Practicable Date, the laws of British Virgin Islands and the PRC impose no restrictions on extending the Rights Issue to the Shareholders located in British Virgin Islands and the PRC, and the Company is not required to obtain any approvals for the despatch of the Prospectus Documents to such Shareholders. Accordingly, the Directors have decided to extend the Rights Issue to the four Overseas Shareholders in British Virgin Islands and the PRC, who will accordingly be Qualifying Shareholders and therefore there is no Excluded Shareholder as at the Latest Practicable Date.

Those Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

Closure of register of members for the Rights Issue

The Company's register of members will be closed from Monday, 20 June 2016 to Friday, 24 June 2016, both days inclusive, to determine the eligibility of the Qualifying Shareholders. No transfer of Shares will be registered during the book closure period.

Ranking of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Fractions of the Rights Shares

On the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 21 July 2016. Each shareholder will receive one share certificate for all allotted Rights Shares. If the Rights Issue is terminated refund cheques will be returned by ordinary post at Shareholders' own risk on or before Thursday, 21 July 2016, Refund cheques in respect of wholly or partially unsuccessful application for excess Rights Shares (if any) will be despatched on or before Thursday, 21 July 2016 by ordinary post at the respective Shareholders' own risk.

Application for the Rights Shares

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form and lodging the same with a remittance for the Rights Shares being taken up with the Registrar by the Latest Time for Acceptance.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing the EAF(s) (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

The Board will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application subject to availability of excess Rights Shares. No preference will be made to Rights Shares comprised in applications by PAL or the number of existing Shares held by the Qualifying Shareholders.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares (in both their nil-paid and fully-paid forms) and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the nil-paid rights otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in, the Rights Shares (in both their nil-paid and fully-paid forms).

Application for listing

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

All necessary arrangements will be made to enable the Rights Shares in both their nil paid and fully-paid forms to be admitted into CCASS.

Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted should note that their shareholdings in the Company will be diluted.

UNDERWRITING AGREEMENT

Date of the Underwriting Agreement	:	11 May 2016 (after trading hours)
Underwriter	:	China Prospect
Number of Rights Shares to be underwritten	:	Not less than 2,304,000,000 Rights Shares (assuming no Share Options being issued and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date). The Rights Issue is fully underwritten.

Under the Underwriting Agreement, the Rights Issue is fully underwritten by the Underwriter and the Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding 10% or more shareholding in the Company immediately after completion of the Rights Issue.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and their ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter is not interested in any Shares.

As at the Latest Practicable Date, the Board had not received any information or irrevocable undertaking from its Substantial Shareholder of its intention to take up its assured entitlements under the Rights Issue.

Underwriting commission

The Company will pay the Underwriter an underwriting commission of 1.5% of the aggregate Subscription Price in respect of the maximum number of the underwritten Rights Shares agreed to be underwritten by the Underwriter as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market condition. The Directors (including the independent non-executive Directors) are of the view that the terms of the Underwriting Agreement, including the commission, accord with the market practice, and are fair and reasonable so far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by giving written notice to the Company prior to 4:00 p.m. on the Latest Time for Termination if:–

(A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or

(B) there shall be:

(i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

(ii) any change in local, national or international financial, political, industrial or economic conditions;

(iii) any change of an exceptional nature in local, national or international equity securities or currency markets;

(iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

(v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;

(vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 10 trading days (as defined in the Listing Rules); or

(vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which is or are, in the reasonable opinion of the Underwriter:

(a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or

(b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or

(c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue, then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

(a) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) approving, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;

(b) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus Documents (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and in compliance with the Listing Rules and the Companies Ordinance;

(c) the posting of the Prospectus Documents to the Qualifying Shareholders;

(d) the Listing Committee granting or agreeing to grant (subject to allotment), and not having revoked, listing of, and permission to deal in the Rights Shares, in nil-paid and fully-paid forms;

(e) compliance and performance by the Company of all its undertakings and obligations under the terms of the Underwriting Agreement;

and that in the event of the above conditions not being fulfilled on or before the Latest Time for Termination (or such later date or dates as may be agreed between the Company and the Underwriter) or if the Underwriting Agreement shall be terminated pursuant to the terms in the Underwriting Agreement, all obligations and liabilities of the parties hereunder shall forthwith cease and determine and no party shall have any claim against the other (save for any antecedent breaches hereof).

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding and the Group is principally engaged in the manufacture and sales of own-branded watches, OEM (Original Equipment Manufacturing) watches and third-party watches.

It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on the expansion of the branded watches business operation domestically and internationally to achieve financial growth for the Group and to maximise the Shareholders' value.

The gross proceeds of the Rights Issue will be approximately HK$322.56 million before expenses, assuming no outstanding Share Options being exercised before the Rights Issue. The estimated net proceeds of the Rights Issue will be approximately HK$313.60 million. The net price per Rights Share after deducting the relating expenses of Rights Issue will be approximately HK$0.136.

The Company intends to apply:

(i) approximately HK$180.00 million for the Possible Acquisition pursuant to the MOU;

(ii) approximately HK$97.417 million for expansion of sales network and marketing activities in the PRC;

(iii) approximately HK$26.583 million for the acquisition of the remaining equity interest in a non-wholly owned subsidiary of the Company pursuant to the Shares Transfer Agreement; and

(iv) approximately HK$9.60 million for repayment of debts of the Group.

Possible Acquisition of the Target Company

The Company intends to apply the net proceeds of HK$180.00 million of the Rights Issue for the Possible Acquisition pursuant to the MOU. As stated in the MOU Announcement, the Company entered into the MOU with the MOU Vendor pursuant to which the Company intended to acquire and the MOU Vendor intended to sell 100% of the issued share capital of the Target Company, which is principally engaged in: (i) development of clocks, watches, calculation software, and other various types of technological products; and (ii) manufacturing of various electronic products, hardware products and precision machinery accessories in the PRC.

It is the corporate strategy of the Group to strengthen its existing businesses to achieve financial growth for the Group and to maximise Shareholders' value. As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group will strengthen its core competitiveness through expansion and improving the production efficiency and capacities.

The Target Company is an investment holding company incorporated in the British Virgin Islands. Its subsidiaries are mainly engaged in the manufacture of watches and sales of precision instruments and digital products, and development of computer software with a production factory in Zhangzhou City, Fujian Province, the PRC (the "**Factory**"). Should the Possible Acquisition materialise, the Directors intends to use the Factory for the manufacturing of watches of the Group.

As at 31 December 2015, the production capacity utilisation rate of the watch products of the existing factory of the Company was: (i) approximately 97.0% for the steel watches; (ii) approximately 93.0% for the alloy watches; and (iii) approximately 57.5% for the plastic watches. Therefore, the average capacity utilisation rate of the watch products was approximately 77.8%. As the production of both the steel and alloy watches have nearly reached the maximum production capacity, the Company therefore intends to improve the production capacity, operational efficiency as well as the design and development capabilities through the Possible Acquisition. The Possible Acquisition will allow the Company to strengthen its existing business by the technological software, products and experience from the Target Company. In addition, the Possible Acquisition will also provide additional production facilities and capability for the expected increase in the demand for the watch products of the Group arising from the expansion of sales network in the PRC.

Based on the initial negotiation with the MOU Vendor, the consideration of the Possible Acquisition will be approximately HK$180 million. As at the Latest Practicable Date, the Company is negotiating with the MOU Vendor with the view of entering into a legally binding formal agreement for the Possible Acquisition although no legally-binding agreement for the Possible Acquisition has yet to be executed. In the event that the Possible Acquisition materialises, based on the existing information regarding the Target Company and the expected consideration of approximately HK$180 million, in accordance with the Listing Rules, the transaction may constitute a major transaction upon completion of the Rights Issue. The Company will finance the acquisition of the Target Company by internally generated funds if the consideration is higher than HK$180 million. If the consideration is below HK$180 million, the Company will therefore allocate the remaining unutilised proceeds for general working capital of the Group.

In considering the time required to complete the Rights Issue, the Directors are of the view that it is reasonable to raise funds for the Possible Acquisition by the Rights Issue at present so that the Company will have sufficient funds at the time of entering into any legally binding agreement in relation to the Possible Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the MOU Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

The Directors consider that the acquisition of the Target Company is in line with the business development strategy and expansion plan of the Group. The Directors further consider that the Possible Acquisition is carried out in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

Save and except for the MOU announced by the Company on 5 February 2016, the Company is not in negotiation of, and has not entered into any agreement, arrangement, undertaking and/or understanding in relation to acquisition of new business and/or disposal of its existing business.

In the event that the MOU does not proceed, the Company intends to apply the allocated net proceeds of the Rights Issue for other investment opportunities including but not limited to design and/or manufacturing company in the watch industry as and when identified by the Group. The Company is actively seeking for other investment opportunities, but the Company has not identified any investment opportunities other than the Target Company as at the Latest Practicable Date.

Expansion of sales network in the PRC

Sales revenue of the Group from the PRC has shown an upward trend from approximately RMB507.22 million for the year ended 31 December 2013 to approximately RMB617.57 million for the year ended 31 December 2014, representing an increase of approximately 21.8% and indicating a potential growth and opportunity in the PRC market.

The sales revenue of the Group from the PRC decreased slightly to approximately RMB600.45 million for the year ended 31 December 2015, which is mainly attributable to the decrease in the average selling price of the branded watches and OEM watches of the Group.

Despite the slight decrease in sales revenue from the PRC, with the launch of the three new brands namely "M.O.D", "Extreme" and "Nordic Design" in both the domestic and international markets, the Directors are of the view that the expansion of the sales network and marketing activities of the Group are fair and reasonable.

As at the Latest Practicable Date, the Group operates 850 retail points for its own-branded watches in the PRC. In response to the competition in the market and to enhance the services provided to the customers, the Board intends to expand the sales network of the Group by establishing an estimated 200 additional retail stores in the second-tier and third-tier cities, covering 4 regions in the PRC and 1 office in each region in 2016 and 2017 as follows:

				Breakdown of the estimated costs				
Regions	No. of office to be established	No. of retail store to be established	Estimated costs	Staff costs	Rental fee and management fee	Renovation fee	Inventories costs	Administrative and other expenses
			(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Southern China	1	60	21.18	6.71	2.34	4.38	7.20	0.55
Central China	1	50	17.39	5.46	1.95	3.65	6.00	0.33
Northern China	1	45	16.29	5.27	1.78	3.29	5.40	0.55
Eastern China	1	45	15.95	5.07	1.76	3.29	5.40	0.43
Total	4	200	70.81	22.51	7.83	14.61	24.00	1.86

The total estimated costs are approximately RMB70.81 million (equivalent to approximately HK$84.97 million), which include rental fee, management fee, renovation fee, inventories costs, staff costs etc. for the retail stores and the offices.

The expected timeframe of the expansion plan of the sales network in the PRC is set out as follows:

	2016 3Q	2016 4Q	2017 1Q	2017 2Q	Total
	No. of retail stores to be established				
Southern China	20	15	10	15	60
Central China	15	15	10	10	50
Northern China	10	15	10	10	45
Eastern China	15	10	10	10	45
Total	60	55	40	45	200

Together with the expansion of the sales network, the Group intends to allocate approximately HK$12.447 million for the marketing activities (such as advertisement on television channels, magazines, newspaper and out-door buildings) in these second-tier and third-tier cities to further increase the market share and penetration rate of the watch products in the PRC.

The Board is of the view that establishing additional retail stores in the PRC will increase the market penetration and promote brand awareness of the Group's products in the PRC. Therefore, the Board considers that the allocation of approximately HK$97.417 million for the expansion of the sales network and marketing activities of the Group is in the interest of the Company and the Shareholders as a whole.

Acquisition of remaining 20% equity interest in a non-wholly owned subsidiary of the Company

As stated in the announcement of the Company dated 15 February 2016 (the "**Discloseable Announcement**"), the Company, through its wholly-owned subsidiary, Zhangzhou Hongyuan Watch Industry Co., Ltd.* (漳州宏源錶業有限公司) ("**Zhangzhou Hongyuan**"), has entered into the Shares Transfer Agreement with Zhangzhou Zhanglong Hongqiao Energy Conservation Venture Capital Investment Partnership Enterprise (Limited Partnership)* (漳州市漳龍紅橋節能環保創業投資合作企業(有限合夥)) (the "**Vendor**") and Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.* (福建省歐沃斯鐘錶精密技術有限公司) (the "**Subsidiary**"), an indirect non-wholly owned subsidiary of the Group established under the laws of the PRC with limited liability and principally engaged in design, production, assembly and sale of watches, to purchase 20% equity interest in the Subsidiary.

On 5 March 2014, the Vendor and the Subsidiary entered into a capital increase agreement pursuant to which the Vendor subscribed for the registered capital of RMB5 million of the Subsidiary for a consideration of RMB20 million (the "**Capital Contribution**"). As a result, the registered capital of the Subsidiary was increased by RMB5 million, with the remaining consideration of RMB15 million being treated as capital reserve. Upon completion of the Capital Contribution, the registered capital of the Subsidiary was increased to RMB25 million, with Zhangzhou Hongyuan holding 80% equity interest and the Vendor holding 20% equity interest of the Subsidiary, respectively.

Pursuant to the Shares Transfer Agreement, the Vendor agreed to sell and Zhangzhou Hongyuan agreed to acquire the remaining 20% equity interest of the Subsidiary for a cash consideration of RMB22,152,500 (equivalent to approximately HK$26,583,000).

As stated in the Discloseable Announcement, the Board is of the view that the acquisition of the remaining 20% equity interest in the Subsidiary will: (i) enable the Group to achieve greater economic efficiency; (ii) enhance the Company's management control over the Subsidiary; and (iii) provide easier financing for future development. The transaction will bring about a sole ownership structure of the Subsidiary, which will lead to a smoother management and a quicker decision-making of the Company on the Subsidiary. As such, stronger synergies will be created within the Group. Therefore, the Board is of the view that the allocation of approximately HK$26.583 million for the acquisition of the remaining 20% equity interest in the Subsidiary is in the interest of the Shareholders and the Company as a whole.

* *For identification purpose only*

Information on the Subsidiary

The Subsidiary is an indirect non-wholly owned subsidiary of the Company established under the laws of the PRC with limited liability and is principally engaged in design, production, assembly and sale of watches.

The following is the financial information of the Subsidiary as extracted from its audited financial statements prepared in accordance with the PRC generally accepted accounting principles for the year ended 31 December 2014 and unaudited management account for the year ended 31 December 2015 respectively:

	For the financial year ended 31 December 2015	**For the financial year ended 31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit before taxation	20,485	23,952
Net profit after taxation	15,364	17,964

Based on the unaudited management account, the net asset value of the Subsidiary as at 31 December 2015 was approximately RMB112,225,000.

Debts repayment

The Company intends to allocate approximately HK$9.60 million (equivalent to approximately RMB8.00 million) to repay the debt of the Group which will become due in November 2016. As at the Latest Practicable Date, the Group has outstanding bank borrowings of approximately RMB8.00 million (equivalent to approximately HK$9.60 million) which will become due in November 2016.

The finance costs of the bank borrowings amounted to approximately RMB2.21 million (equivalent to approximately HK$2.65 million) as at 31 December 2015. It is the intention of the Company to repay all its bank borrowing when it falls due and the Company does not intend to renew the abovementioned bank borrowing. Accordingly, the Directors are of the view that it is reasonable to allocate approximately HK$9.60 million to repay the debts of the Group.

In the Baselworld watch exhibition in Basel, Switzerland in March 2016, the Company has launched three new brands namely "M.O.D", "Extreme" and "Nordic Design". The three new high-end brands were designed by Hong Kong local designers. With the addition of the three new brands and the expansion of the sales network in the PRC, the Directors are of the view that the demand of the watch products of the Group is expected to increase.

Although the Company is estimated to record a positive cash inflow as at the year end, the Company may require substantial amount of cash for business operation in different time intervals during the year. Therefore, the fund raising activity is required for the development and expansion of the Group.

The current funding needs were in deliberation at the time of the placing completed in January 2016. The expansion and development plans were approved by the Board in late January 2016 and the target of the Possible Acquisition was not identified until mid January 2016. Therefore, the current funding needs have not been contemplated or taken into account at the time of the Company's initial public offering ("**IPO**") or conducting the share subscription which was completed in August 2015 and the placing which was completed in January 2016.

The Company will update in its interim and annual reports on the actual use of proceeds from the Rights Issue, including but not limited to, the status of its expansion of sales network in the PRC.

Other fund raising alternatives

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new Shares and open offer.

Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. The Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them without any asset pledge or at favourable terms. Therefore, given the fund raising size and the business scale of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms.

Placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders.

Although an open offer is similar to a rights issue, an open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares. Furthermore those Qualifying Shareholders who wish to increase their shareholding interests in the Company cannot acquire additional nil-paid Rights Shares in the market in the case of an open offer.

The Board considers that the Rights Issue is in the interest of the Company and the Shareholders as a whole as: (i) Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (ii) Qualifying Shareholders who do not take up their allotments can sell the nil-paid Rights Shares in the market; (iii) the Rights Issue allows the Qualifying Shareholders who participate to increase their interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability) or applying through excess applications for Rights Shares; and (iv) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlarged capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

Having considered and evaluated that all Qualifying Shareholders can have an equal opportunity to maintain their interests in the Company and that the Rights Issue will not increase the future finance costs of the Group, the Directors are of the view that raising funds by way of the Rights Issue is a better option over the other alternative fund-raising methods as set out above.

In view of the above, the Directors (excluding the independent non-executive Directors whose opinion is set out in the Circular, after having been advised by the Independent Financial Adviser) consider that the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Rights Issue:

Scenario 1:

Assuming no outstanding Share Options being exercised on or before the Record Date:

			Immediately after completion of the Rights Issue			
	As at the Latest Practicable Date		Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Lin Zhiqiang (*Note 1*)	–	–	–	–	–	–
Ms. Yan Xiaotong (*Note 2*)	–	–	–	–	–	–
Visual Wise (*Note 3*)	354,367,020	30.76	1,063,101,060	30.76	354,367,020	10.25
Public Shareholders	797,632,980	69.24	2,392,898,940	69.24	797,632,980	23.08
Underwriter (*Note 4*)	–	–	–	–	2,304,000,000	66.67
	1,152,000,000	100.00	3,456,000,000	100.00	3,456,000,000	100.00

Scenario 2:

Assuming the outstanding Share Options being exercised in full on or before the Record Date:

	As at the Latest Practicable Date		Immediately after all the outstanding Share Options are exercised but before the completion of the Rights Issue		Immediately after completion of the Rights Issue: Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders		Immediately after completion of the Rights Issue: Assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Lin Zhiqiang *(Note 1)*	–	–	800,000	0.07	2,400,000	0.07	800,000	0.02
Ms. Yan Xiaotong *(Note 2)*	–	–	800,000	0.07	2,400,000	0.07	800,000	0.02
Visual Wise *(Note 3)*	354,367,020	30.76	354,367,020	28.99	1,063,101,060	28.99	354,367,020	9.66
Public Shareholders	797,632,980	69.24	866,602,980	70.88	2,599,808,940	70.88	866,602,980	23.63
Underwriter *(Note 4)*	–	–	–	–	–	–	2,445,140,000	66.67
	1,152,000,000	100.00	1,222,570,000	100.00	3,667,710,000	100.00	3,667,710,000	100.00

Notes:

1. Mr. Lin Zhiqiang, was granted 800,000 Share Options on 16 June 2015 in accordance with the Company's Share Option Scheme.

2. Ms. Yan Xiaotong, a former executive Director in the last 12 months, was granted 800,000 Share Options on 16 June 2015 in accordance with the Company's Share Option Scheme. Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang.

3. As at the Latest Practicable Date, Visual Wise is owned as to 62% by Mr. Lin Zhiqiang, the chief executive officer, chairman and an executive Director, and 38% by Ms. Yan Xiaotong. Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and they are deemed to have interest in the Shares in which his/her spouse is interested in.

4. The Underwriter irrevocably undertakes to the Company that if the Underwriter or any of the sub-underwriter is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations:

   (a) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations hereunder;

   (b) the Underwriter shall and shall cause the sub-underwriter to procure subscribers independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the Listing Rules are complied with;

   (c) none of the persons to be procured by the Underwriter to subscribe for the untaken Underwritten Shares will be holding 10% or more of the total issued shares of the Company immediately after completion of the Rights Issue; and

   (d) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for the untaken Underwritten Shares are independent of and not connected with the Company and its connected persons and are not a party acting in concert with each other.

5. The Underwriter has entered into a sub-underwriting agreement with a sub-underwriter who is an Independent Third Party for 71,500,000 Rights Shares.

6. The tables shown above are for illustrative purpose only.

As at the Latest Practicable Date, the existing public Shareholders hold approximately 69.24% of the entire issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders), the existing public Shareholders will hold approximately 23.08% of the enlarged issued share capital of the Company assuming no outstanding Share Options being exercised on or before the Record Date.

Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 66.67%, assuming no outstanding Share Options being exercised on or before the Record Date.

As discussed with the Underwriter, in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules. The Underwriter will use its best endeavours to ensure that the subscribers and/or sub-underwriters are: (i) Independent Third Parties; and (ii) will not hold 10% or more of the equity interest and voting rights in the Company upon completion of the Rights Issue. The Underwriter will also ensure that at least 25% of the total issued capital of the Company is held by the public at all times such that the public float requirements under Rules 8.08 of the Listing Rules will be complied with by the Company.

On 23 May 2016, after trading hours, the Underwriter has entered into a sub-underwriting agreement with Ms. Cai Cuiying (the "**Sub-underwriter**"), who is an Independent Third Party for 71,500,000 Rights Shares. Since the Sub-underwriter will hold less than 5% equity interest of the Company upon completion of the Right Issue, the Sub-underwriter will be considered as public Shareholder. Taking into account of the Sub-underwriter, the public float will be at least 25% of total issued share capital of the Company upon completion of the Rights Issue.

Therefore, taking into account of the underwriting arrangement and the sub-underwriting arrangements, at least 25% of the total issued share capital of the Company will be held by public under all circumstances upon completion of the Rights Issue. To the extent that the Underwriter subsequently enters into any further sub-underwriting arrangements, the Underwriter shall use its best endeavours to ensure that each subscriber and/or sub-underwriter is an Independent Third Party and will not hold more than 10% of the equity interest and voting rights in the Company upon completion of the Rights Issue.

DILUTION EFFECT OF THE RIGHTS ISSUE

The following table shows the dilution effect on the share price and the Shares in issue after completion of the Rights Issue:

Event	**Dilution effect on the share price after the Rights Issue**	**Total number of Shares in issue after the Rights Issue**	**Dilution effect on the Company's Shares in issue after the Rights Issue** *(Note 2)*
Rights Issue	To be adjusted downwards by approximately 32.73% *(Note 1)*	Not less than 2,304,000,000 Shares and not more than 2,445,140,000 Shares	Approximately 66.67% *(Note 3)*

Notes:

1. The dilution effect on the share price is calculated based on: (i) the theoretical ex-rights price of approximately HK$0.185 per Share after the Rights Issue (calculated based on the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day); and (ii) the closing price of approximately HK$0.275 per Share on the Last Trading Day.

2. The dilution effect is calculated by dividing the increase in number of Shares with the aggregate number of Shares in issue immediately after the Rights Issue.

3. The dilution effect on the Shares only applies to those Shareholders who do not participate in the Rights Issue.

Given that: (i) the Subscription Price and the subscription ratio were determined after arm's length negotiations between the Company and the Underwriter, details of which are highlighted in the section "Basis of determining the Subscription Price and the subscription ratio"; (ii) the structure of the Rights Issue is required to be approved by the Independent Shareholders at the EGM; and (iii) a relatively deep discount to the Share price is necessary to induce the Underwriter to participate in the underwriting of the Underwriter Shares and attract the investors to subscribe for the Rights Shares, the Directors are of the view that the dilution effect on the Share price in the event that the Shareholders did not participate in the Rights Issue is acceptable.

WARNING OF THE RISK OF DEALINGS IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.

Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that dealing in the Rights Shares in the nil-paid form will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in the nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 18 July 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing any Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

FUND RAISING EXERCISES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
5 August 2015	Subscription of 160,000,000 new Shares at HK$0.40 per Share *(Note 1)* *(the* "**2015 Subscription**")	Approximately HK$62.0 million	To finance future business investment and development opportunities (including but not limited to the promotion of international image of branded watches) and/or as general working capital of the Group.	(i) Approximately HK$25.8 million was used for purchase of machines and equipment; (ii) Approximately HK$19.6 million was used for promotion and marketing activities; (iii) Approximately HK$5.7 million was used to purchase watch components; (iv) Approximately HK$4.9 million was used for research and development work; and (v) Approximately HK$6.0 million was used as general working capital.
4 January 2016	Placing of 192,000,000 new Shares of HK$0.23 per Share under general mandate *(Note 2)* (the "**2016 Placing**")	Approximately HK$43.06 million	As general working capital of the Group	(i) Approximately HK$8.74 million was used for general working capital of the Group; and (ii) Approximately HK$34.32 million is placed in the bank and will be used for general working capital of the Group as intended.

Notes:

1. Upon completion of the 2015 Subscription as announced by the Company on 19 August 2015, the shareholding of the public Shareholders other than the placees had decreased from approximately 43.95% to approximately 36.63%, representing a dilution of approximately 16.66% to their then existing shareholding.

2. Upon completion of the 2016 Placing as announced by the Company on 18 January 2016, the shareholding of the public Shareholders other than the placees had decreased from approximately 63.09% to approximately 52.57%, representing a dilution of approximately 16.67% to their then existing shareholding.

Dilution effect of the fund raising exercises of the Company in the past 12 months

Assuming that the public Shareholders other than the placees did not subscribe for any Shares under the 2015 Subscription and the 2016 Placing respectively, their shareholdings in the Company would have decreased from approximately 43.95% to approximately 30.52%, representing an accumulative dilution effect of approximately 30.56% from the equity fund raising exercises conducted by the Company in the past 12 months.

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief, the Company is not considering any equity fund raising exercise during the next 12 months from the date of this Circular. To the best of the Directors' knowledge, information and relief, the proceeds from Rights Issue and the internal funding of the Company can satisfy the Company's expected funding needs for the next 12 months from the Latest Practicable Date.

The Company was listed on the Main Board of the Stock Exchange on 30 January 2015. The net proceeds from the Company's IPO (after deducting the underwriting fees and related expenses) amounted to approximately HK$134.40 million, which are intended to be applied in the manner as disclosed in the prospectus of the Company dated 20 January 2015 (the "**IPO Prospectus**"). During the period from 20 January 2015, being the date of the IPO Prospectus, to 31 March 2016, the Group has applied the net proceeds as follows:

	Amount Allocated *(HK$'000)*	**Amount utilised** *(HK$'000)*	**Amount unutilised** *(HK$'000)*
– Marketing activities for branded watches in the domestic market	41,859	17,061	24,798
– Further developing on-line retail stores for branded watches	22,145	22,145	–
– International expansion of sales network	17,464	17,464	–
– Upgrading existing watch components production workshops	26,556	26,556	–
– Addition of more technologically advanced machines and equipment	10,532	10,532	–
– Strengthening core competitiveness by improving watch design and development capabilities	15,844	15,844	–
	134,400	109,602	24,798

The IPO proceeds of approximately HK$109.60 million was utilised as follows:

(i) approximately HK$17.06 million was used for marketing activities for branded watches in the domestic market, such as placing outdoor advisements, participating in major sales and watch and clock fairs as well as brand planning and promotion activities;

(ii) approximately HK$22.15 million was used for further developing on-line retail stores for branded watches by organising on-line marketing events and on-line advertisements;

(iii) approximately HK$17.46 million was used for international expansion of sales network, such as advertisement and promotion in international markets and further expansion of the sales network of the Group in the international watch markets;

(iv) approximately HK$26.56 million was used for upgrading existing watch components production workshop, such as purchasing watch components to improve the production and watch assembly environments and expand the production capacity of watch components of the Group;

(v) approximately HK$10.53 million was used for acquisition of more technologically advanced machines and equipment, such as purchase of intelligent hydraulic lathe and precise machinery, to enhance the automation of production facilities and thus increase the production efficiency; and

(vi) approximately HK$15.84 million was used for strengthening core competitiveness by improving watch design and development capabilities through: (a) providing more training to the design team of the Company to uphold the design and artistic knowledge; (b) developing smart watches, new products, such as three new design under the brands of Nordic Design, Extreme and M.O.D. designed by the Hong Kong design team of the Company; and (c) establishing mould design and fabrication centre for production of moulds.

The unutilised net proceeds of approximately HK$24.80 million from the IPO are currently placed in the bank account of the Group.

As at 31 March 2016, the Group has cash and bank balances of approximately RMB168.06 million (equivalent to approximately HK$201.67 million). As at the Latest Practicable Date, the Company has utilised: (i) approximately HK$7.7 million in held-for-trading securities; and (ii) approximately HK$63.20 million to repay debts of approximately RMB52.67 million (equivalent to approximately HK$63.20 million) which were due in April 2016. The Company intends to further utilise: (i) approximately HK$15 million for potential investment opportunities; (ii) approximately HK$16 million for settlement of other payables; (iii) approximately HK$25 million for research and development of the products of the Group; (iv) approximately HK$40 million for advertising, purchase of watch components, research and design etc.; and (v) approximately HK$9.97 million for general working capital of the Group. To support the daily business operation of the Group, the Directors consider that it is necessary for the Group to have a cash float for working capital. As the bank borrowings of approximately RMB52.67 million (equivalent to approximately HK$63.20 million) became due in April 2016, therefore, the Board has repaid the bank borrowings in the second quarter of 2016 via internally generated fund and expects to utilise the existing cash for other payable and research and development by the fourth quarter of 2016. For the potential investment opportunities, the Company will utilise the funds when the opportunities arise. In summary, the indicative timeline for the cash utilisation is set out below:

	2nd Quarter 2016	**3rd Quarter 2016**	**4th Quarter 2016**	**Total**
Repayment of debt	63.2	–	–	63.2
Settlement of other payable	8.0	–	8.0	16.0
Research and development of the products of the Group	5.0	10.0	10.0	25.0

As the majority of the cash and bank balances will be used for specific purposes in the existing business in the Group, and having considered that:

(i) the Group has been in negotiation with the MOU Vendor for the Possible Acquisition;

(ii) the Company through its subsidiary, Zhangzhou Hongyuan, has entered into the Shares Transfer Agreement with the Vendor and the Subsidiary; and

(iii) it is the current business strategy of the Group to conduct expansion of sales network in the PRC for the existing business,

in spite of the potential dilution impact of the Rights Issue and the relatively deep discount of the Subscription Price, the Directors are of the view that the Company has imminent funding needs and that it is necessary for the Company to raise additional funds through the Rights Issue in order to facilitate the business development of the Group which will be in the interest of the Company and the Shareholders as a whole.

ADJUSTMENT IN RELATION TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for 70,570,000 new Shares.

As a result of the Rights Issue, it is expected that the exercise prices, and/or the number of Shares, of the outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will engage the Company's auditors to review and determine the relevant adjustments and make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) if the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders in a general meeting by a resolution on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, (i) Visual Wise is a Controlling Shareholder and is directly owned as to approximately 62% and approximately 38% by Mr. Lin Zhiqiang and Ms. Yan Xiaotong, respectively; (ii) Mr. Lin Zhiqiang is the chairman, chief executive officer and an executive Director; and (iii) Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and a former executive Director. Therefore, Visual Wise, Mr. Lin Zhiqiang and Ms. Yan Xiaotong and their respective associates shall abstain from voting on the resolution(s) in relation to the Rights Issue and the transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue. With the approval of the Independent Board Committee, Hercules Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this Circular. The EGM will be held at Lily Room, 3/F, BEST WESTERN PLUS Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong at 11:00 a.m. on Tuesday, 14 June 2016 for the purpose of, among others, considering and, if thought fit, to approve the proposed Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong

Kong, being Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

Subject to the Rights Issue being approved at the EGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to, and you are advised to read carefully, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser set out on pages 43 to 44 and pages 45 to 73 respectively of this Circular.

The Directors (including the Independent Board Committee, which has taken into account the advice of the Independent Financial Adviser) consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee, which has taken into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the EGM.

Accordingly, the Directors (including the Independent non-executive Directors) believe that the Rights Issue is in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular.

By order of the Board
Time2U International Holding Limited
Lin Zhiqiang
Chairman, Chief Executive Officer and Executive Director

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.

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)

27 May 2016

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK$0.14 PER RIGHTS SHARE

We refer to the circular of the Company dated 27 May 2016 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as members to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the proposed Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the proposed Rights Issue.

Hercules Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from Hercules Capital Limited to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the proposed Rights Issue as set out in the Circular. We also draw your attention to the letter from the Board set out in the Circular.

Having taken into account the terms of the Rights Issue and the advice of Hercules Capital Limited, we are of the opinion that the proposed Rights Issue is on normal commercial terms, is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the proposed Rights Issue to be proposed at the EGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Time2U International Holding Limited
Mr. Chang Wei **Mr. Nie Xing** **Mr. Yu Chon Man**
Independent Non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding its advice on the Rights Issue prepared for the purpose of incorporation into this Circular.

Hercules

Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

27 May 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the Letter from the Board contained in the Circular, of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular, unless the context requires otherwise.

On 11 May 2016, the Company announced that it proposed to raise not less than approximately HK$322.56 million and not more than approximately HK$342.32 million, before expenses, by issuing not less than 2,304,000,000 Rights Shares and not more than 2,445,140,000 Rights Shares at the Subscription Price of HK$0.14 per Rights Share on the basis of two Rights Shares for every one existing Share held by the Qualifying Shareholders on the Record Date.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders at the EGM by a resolution on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at the Latest Practicable Date, (i) Visual Wise was a Controlling Shareholder and was directly owned as to approximately 62% and approximately 38% by Mr. Lin Zhiqiang and Ms. Yan Xiaotong respectively; (ii) Mr. Lin Zhiqiang was the chairman and chief executive officer of the Company and an executive Director; and (iii) Ms. Yan Xiaotong was the spouse of Mr. Lin Zhiqiang and a former executive Director. Therefore, Visual Wise, Mr. Lin Zhiqiang and Ms. Yan Xiaotong and their respective associates shall abstain from voting on the resolution in relation to the Rights Issue and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chang Wei, Mr. Nie Xing and Mr. Yu Chon Man, has been established to advise the Independent Shareholders on the Rights Issue. We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, in particular as to whether the terms of the Rights Issue are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Underwriting Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

We have not considered the tax consequences on the Independent Shareholders arising from the subscription for, holding of, or dealing in, the Rights Shares or exercising any right attached thereto or otherwise, since these are particular to their individual circumstances. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealing, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Company is an investment holding company and the Group is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches. The Group has two principal lines of business operations, namely the design, production and assembly of watches for OEM customers and the design, manufacture and sale of own-branded watches under the brands namely “Time2U”, “Jonquet”, “Nordic Design”, “Extreme”, “M.O.D.” and sub-brand namely “Color”.

The audited consolidated financial information of the Group for the years ended 31 December 2015 and 31 December 2014, as extracted from the annual report of the Company, is summarized as follows:

	For the year ended 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Revenue		
– branded watches	351,681	361,780
– OEM watches	339,668	354,885
– third-party watches	–	6,057
	691,349	722,722
Gross profit	200,735	240,645
Profit before taxation	129,173	160,989
Profit for the year attributable to owners of the Company	85,901	115,165

	As at 31 December 2015
	RMB'000
Non-current assets	289,226
Current assets	561,066
Total assets	850,292
Non-current liabilities	9,096
Current liabilities	125,575
Total liabilities	134,671
Net assets	715,621
Net asset attributable to owners of the Company	693,249

The revenue of the Group for the year ended 31 December 2015 amounted to approximately RMB691.35 million, representing a drop of approximately 4.34% as compared to the previous year. The diminution in revenue was mainly attributable to the decreases in the average selling price of branded watches and OEM watches. As a result, the gross profit margin reduced from approximately 33.30% for the year ended 31 December 2014 to approximately 29.04% for the year ended 31 December 2015 and the amount of gross profit decreased by approximately 16.58% as compared to the previous year.

In June 2015, share options were issued by the Company and share based payment of approximately RMB27.28 million was recognized. Together with the increases in listing expenses and professional fee incurred after the listing of the Company, the administrative expenses of the Group increased by approximately RMB39.38 million for the year ended 31 December 2015 as compared to the prior year. Resulted from the lower profit margin and the increase in expenses, the Group's profit before taxation decreased by approximately 19.76% to approximately RMB129.17 million for the year ended 31 December 2015. For the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB85.90 million, representing a reduction of approximately 25.41% as compared to the previous year.

As at 31 December 2015, the current assets and current liabilities of the Group amounted to approximately RMB561.07 million and RMB125.58 million respectively. Accordingly, the Group had net current assets of approximately RMB435.49 million and current ratio of approximately 4.47, as calculated as current assets over current liabilities. The current assets of the Group mainly comprised inventories, trade receivables and cash and bank balances, which amounted to approximately RMB113.95 million, RMB137.15 million and RMB135.08 million respectively. The current liabilities of the Group mainly consisted of trade payables, accruals and other payables as well as bank borrowings which amounted to approximately RMB42.74 million, RMB18.36 million and RMB60.59 million respectively.

As at 31 December 2015, the Group's non-current assets amounted to approximately RMB289.23 million, which included property, plant and equipment and prepaid lease payments while the non-current liabilities, being deferred taxation, amounted to approximately RMB9.10 million. As at 31 December 2015, the Group's total assets and total liabilities amounted to approximately RMB850.29 million and RMB134.67 million respectively. Thus, the Group had net assets of approximately RMB715.62 million and a gearing ratio, representing a percentage of total liabilities over total assets, of approximately 15.84% as at 31 December 2015 (31 December 2014: 20.20%). Excluding the net assets of the non-controlling interests of approximately RMB22.37 million, the net assets attributable to the Shareholders amounted to approximately RMB693.25 million as at 31 December 2015.

As set out in the Letter from the Board, the Group had cash and bank balances of approximately RMB168.06 million (equivalent to approximately HK$201.67 million) as at 31 March 2016. Based on the current ratio, gearing ratio, net current assets and net assets attributable to the Shareholders as at 31 December 2015 and the status of cash and bank balances as at 31 March 2016, we are of the view that the Group is in a healthy financial position and does not have any urgent financing needs if there are no substantial changes in its business and financial position or material investments and development plans.

2. Development plans of the Group

The Possible Acquisition

As disclosed in the Company's announcement dated 5 February 2016, Touch Moment Group Limited, a wholly-owned subsidiary of the Company, and the MOU Vendor, an independent third party not connected to the Company and its connected persons, entered into the MOU, pursuant to which Touch Moment Group Limited intended to purchase, and the MOU Vendor intended to sell, the entire issued share capital of the Target Company, the subsidiaries of which are principally engaged in (i) development of clocks, watches, calculation software and various types of technological products; and (ii) manufacturing of various electronic products, hardware products and precision machinery accessories in the PRC, with a production factory in Zhangzhou City, Fujian Province, the PRC. Should the Possible Acquisition materialize, the Directors intend to use the factory of the Target Company for manufacturing of watches of the Group.

As advised by the management of the Company, as at 31 December 2015, the production capacity utilization rate of the Company's existing factory for steel watches, alloy watches and plastic watches was approximately 97.0%, 93.0% and 57.5% respectively. Given that the production capacity utilization rates for steel watches and alloy watches have nearly reached the maximum production capacity, the Company intends to improve the production capacity, operational efficiency as well as the design and development capabilities through the Possible Acquisition. The Directors consider that the Possible Acquisition is in line with the business development strategy and expansion plan of the Group. The Possible Acquisition may also bring in synergy effects to the Company by sharing with the Target Company's technological software, products and experience and provide additional production facilities and capability to the Group to cope with the expected increase in demand of the Group's watch products arising from the launch of its three new watch brands, namely "M.O.D.", "Extreme" and "Nordic Design" in March 2016 and the expansion of sales network in the PRC. As at the Latest Practicable, no formal agreements have been entered into by the parties to the MOU yet.

Expansion of sales networks in the PRC

It is one of the Group's development strategies to expand the branded watches business domestically. According to the 2015 annual report of the Company, sales to customers located in the PRC accounted for over 85% of the total revenue of the Group for each of the two years ended 31 December 2015. Moreover, the proportion of sales to the PRC customers has shown an upward trend with the ratio increasing from approximately 85.45% for the year ended 31 December 2014 to approximately 86.85% for the year ended 31 December 2015. The Directors consider that such trend indicates a potential growth and opportunity in the PRC market. Meanwhile, three new brands namely "Nordic Design", "Extreme" and "M.O.D." were launched in both the domestic and international markets in March 2016. As at the Latest Practicable Date, the Group was operating 850 retail points for its own-branded watches in the PRC. In response to the competition in the market and to enhance the services provide to the customers, the Board intends to expand the sales network of the Group by establishing an additional 200 retail stores in the second-tier and third-tier cities covering 4 regions in the PRC and 1 regional office in each region in 2016 and 2017.

Having considered that the PRC market is the prime business development focus of the Group, the launch of new brands and the watch retail market in the PRC is expected to continue to grow in 2016 (the watch retail market in the PRC is detailed in section "4. Market outlook of watch industry in the PRC" below), we consider that it is commercially justifiable to expand the sales network in the PRC for the long-term growth of the Company.

Acquisition of a non-wholly-owned subsidiary of the Company

As set out in the announcement of the Company dated 15 February 2016, the Group entered into the Shares Transfer Agreement to acquire the remaining 20% equity interest in a non-wholly-owned subsidiary of the Company (the "**Subsidiary**"), which is a company established under the laws of the PRC with limited liability and principally engaged in design, production, assembly and sale of watches, at a cash consideration of approximately RMB22.15 million (equivalent to approximately HK $26.58 million). As at the Latest Practicable Date, the acquisition of the Subsidiary (the "**Subsidiary Acquisition**") has not been completed yet. It is expected that completion of the Subsidiary Acquisition shall take place by November 2016.

The Board considered that the Subsidiary Acquisition would (i) enable the Group to achieve greater economic efficiency; (ii) enhance the Company's management control over the Subsidiary; and (iii) provide easier financing for future development. Meanwhile, the sole ownership structure of the Subsidiary will lead to a smoother management and a quicker decision-making of the Company on the Subsidiary and create a stronger synergy within the Group. We have reviewed the financial information of the Subsidiary, which was prepared in accordance with the PRC generally accepted accounting principles, and noted that it recorded an audited net profit after taxation of approximately RMB17.96 million for the year ended 31 December 2014 and an unaudited net profit after taxation of approximately RMB15.36 million for the year ended 31 December 2015. As at 31 December 2015, the unaudited net asset value of the Subsidiary was approximately RMB112.23 million. Given the benefits to be brought by the Subsidiary Acquisition and the historical profitable performance of the Subsidiary, we concur with the Directors' view that the Subsidiary Acquisition is in the interest of the Company and its Shareholders.

3. Internal financial resources available to the Group

The Company was listed on the Main Board of the Stock Exchange on 30 January 2015. The net proceeds from the Company's initial public offering, after deducting the underwriting fees and related expenses, amounted to approximately HK$134.40 million. We understand from the management of the Company that an aggregate of approximately HK$109.60 million from the net proceeds of the initial public offering had been utilized, as originally planned, by the Group up to 31 March 2016, of which (i) approximately HK$17.06 million was used for marketing activities for branded watches in the domestic market, such as placing outdoor advisements, participating in major sales and watch and clock fairs as well as brand planning and promotion activities; (ii) approximately HK$22.15 million was used for further developing on-line retail stores for branded watches by organising on-line marketing events and on-line advertisements; (iii) approximately HK$17.46 million was used for international expansion of sales network, such as advertisement and promotion in international markets and further expansion of the sales network of the Group in the international watch markets; (iv) approximately HK$26.56 million was used for upgrading existing watch components production workshop, such as purchasing watch components to improve the production and watch assembly environments and expand the production capacity of watch components of the Group; (v) approximately HK$10.53 million was used for acquisition of more technologically advanced machines and equipment, such as purchase of intelligent hydraulic lathe and precise machinery, to enhance the automation of production facilities and thus increase the production efficiency; and (vi) approximately HK$15.84 million was used for strengthening core competitiveness by improving watch design and development capabilities through (a) providing more training to the design team of the Company to uphold the design and artistic knowledge; (b) developing smart watches, new products, such as three new design under the brands of "Nordic Design", "Extreme" and "M.O.D." designed by the Hong Kong design team of the Company; and (c) establishing mould design and fabrication centre for production of moulds. The unutilized net proceeds from the initial public offering of approximately HK$24.80 million, which was intended to be used for marketing activities for branded watches in the domestic market, were placed in the bank account of the Group.

In August 2015, the Company issued 160,000,000 new Shares at HK$0.40 per Share to Visual Wise and raised net proceeds of approximately HK$62.00 million (the "**2015 Subscription**"). The net proceeds from the 2015 Subscription were fully utilized for the intended uses, including purchases of machines and equipment, promotion and marketing activities, purchases of watch components, research and development as well as general working capital.

In January 2016, the Company placed 192,000,000 new Shares at HK$0.23 per Share to not less than six placees with net proceeds raised of approximately HK$43.06 million, which was intended to be used for working capital of the Group (the "**2016 Placing**"). As at the Latest Practicable Date, approximately HK$8.74 million was utilized for general working capital of the Group while the remaining balance of HK$34.32 million had not been utilized yet and was placed in the bank. Such amount would be used from time to time for general working capital of the Group.

As at 31 March 2016, the Group had cash and bank balances of approximately RMB168.06 million (equivalent to approximately HK$201.67 million). We were advised by the management of the Company that, during the period from 1 April 2016 to the Latest Practicable Date, the Company had utilized approximately HK$7.70 million in held-for-trading securities and approximately HK$63.20 million to repay debts of the Group. The Company intends to utilize the remaining cash and bank balances in the amount of approximately HK$130.77 million as to (i) approximately HK$15.00 million for potential investments when such opportunities arise; (ii) approximately HK$16.00 million for settlement of other payables, of which HK$8.00 million will be utilized in the 2nd quarter of 2016 and the remaining HK$8.00 million will be utilized in the 4th quarter of 2016; (iii) approximately HK$25.00 million for research and development of the products of the Group, of which HK$5.00 million will be utilized in the 2nd quarter of 2016, HK$10.00 million will be utilized in the 3rd quarter of 2016 and the remaining HK$10.00 million will be utilized in the 4th quarter of 2016; (iv) approximately HK$40.00 million for advertising, purchase of watch components, research and design etc.; (v) approximately HK$9.97 million for general working capital of the Group; and (vi) approximately HK$24.80 million for marketing activities for branded watches in the domestic market as originally planned for the proceeds from the initial public offering.

We understand from the management of the Company that the Target Company, being the subject of the Possible Acquisition, was not identified until mid January 2016 and the plan for expansion of sales network in the PRC and the Subsidiary Acquisition were approved by the Board in late January 2016. Therefore, the funding needs of the development plans of the Group as set out in section headed "2. Development plans of the Group" had not been contemplated or taken into account at the time of the initial public offering in January 2015 or when the 2015 Subscription and 2016 Placing were conducted in August 2015 and January 2016 respectively.

Given that (i) it is necessary for the Group to have sufficient cash as working capital for its daily business operation; (ii) approximately 75% of the fund raised from the initial public offering, the 2015 Subscription and the 2016 Placing has been utilized as originally planned while the remaining balance has been placed in bank and earmarked for specific uses in the future; (iii) the currently available cash and bank balances has been earmarked for specific purposes which do not cover the Group's business development plans shown in the section headed "2. Development plans of the Group"; (iv) the Group has been in negotiation with the MOU Vendor for entering into a formal agreement for the Possible Acquisition and additional funding is required to complete the transaction if it materializes; (v) the Group has entered into the Shares Transfer Agreement in respect of the Subsidiary Acquisition and thus it is obliged to complete such transaction with additional funding; (vi) it is the current business strategy of the Group to expand its sales network in the PRC for the existing business; and (vii) the fact that the Rights Issue will give all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company without diluting their corresponding shareholdings and to participate in the long-term growth of the Company at a price lower than the current market level, we concur with the view of the Directors that it is fair and reasonable for the Company to raise additional funding to cope with the funding needs for the Group's business development and growth by the Rights Issue having taken into account the current financial position of the Group.

4. Market outlook of watch industry in the PRC

According to the latest statistics released by the National Bureau of Statistics of the PRC, the preliminary gross domestic product (GDP) of the PRC for the first quarter of 2016 was approximately RMB15,852.6 billion, representing an increase of approximately 6.7% as compared to the previous corresponding period and the national per capita disposable income was approximately RMB21,966 for the year ended 31 December 2015, representing an increase of approximately 7.4% as compared to the previous year. As consumers' spending power increases, the amount of money they are willing to spend on watches also goes up. With reference to the latest statistics issued by China Watch Association, an association with members from the watch industry and guided by the State Economic and Trade Commission of the PRC, in August 2015, the number of watches produced by the watch manufacturers with annual revenue over RMB20 million (the "**Above-scale**

Manufacturers") during the first half of 2015 was approximately 83.8 million, representing a slight increase of approximately 0.52% as compared to the first half of 2014, while the total revenue and net profit derived from the Above-scale Manufacturers for the six months ended 30 June 2015 was approximately RMB16.8 billion and RMB1.1 billion respectively, representing an increase of approximately 9.2% and 17.2%, respectively, as compared to the last corresponding period.

We noted from the OECD Interim Economic Outlook released by the Organization for Economic Co-operation and Development, an international organization with 34 country members, in February 2016 that the economic growth of the PRC has slowed down recently as the economy rebalances from manufacturing to services and it is challenging for the PRC Government to manage the rebalancing process together with the financial risks. It is expected that the growth rate of GDP of the PRC for 2016 and 2017 would be 6.5% and 6.2% respectively. The slowing down of the economic growth in the PRC might, to certain extent, impede the growth momentum of the watch industry in the PRC. However, as the pace of urbanization in the PRC quickens, people in places other than the big cities have quickly amassed wealth and provided a broadened customer base to fuel the growth of the watch industry in the PRC. According to a report published in October 2015 by Euromonitor International, an independent provider of strategic market research, watches in the PRC is expected to post a retail value compound annual growth rate of 5% at constant 2015 prices over the coming years. Based on the above, we concur with the Directors' view that the watch retail market in the PRC will continue to grow in 2016 although it may grow at a slower pace.

5. Reasons for the Rights Issue and proposed use of proceeds

The Company proposes to raise not less than approximately HK$322.56 million and not more than approximately HK$342.32 million by way of the Rights Issue to repay the debts of the Group and finance its development plans, in particular the Possible Acquisition, the expansion of the sales network in the PRC and the Subsidiary Acquisition, details of which are set out in the section headed "2. Development plans of the Group" contained in this letter.

Assuming no outstanding Share Options being exercised before the Record Date, the gross proceeds and estimated net proceeds (after deducting the estimated expenses directly attributable to the Rights Issue) of the Rights Issue will be approximately HK$322.56 million and HK$313.60 million respectively. The Company intends to apply the net proceeds from the Rights Issue as to (i) HK$180.00 million for the Possible Acquisition pursuant to the MOU; (ii) approximately HK$97.42 million for the expansion of sales network and marketing activities in the PRC; (iii) approximately HK$26.58 million for the Subsidiary Acquisition pursuant to the Shares Transfer Agreement; and (iv) approximately HK$9.60 million for the repayment of debts of the Group.

The Possible Acquisition

On 5 February 2016, the Group entered into the MOU to acquire the entire issued share capital of the Target Company, the subsidiaries of which are principally engaged in (i) development of clocks, watches, calculation software, and other various types of technological products; and (ii) manufacturing of various electronic products, hardware products and precision machinery accessories in the PRC.

We have reviewed the MOU and have discussed with the management of the Company about the current status of negotiation for the Possible Acquisition and were advised that the Group is conducting a due diligence review on the Target Company and its subsidiaries with the view of entering into a legally binding formal agreement and estimated that the consideration of the Possible Acquisition will be approximately HK$180.00 million based on the initial negotiation with the MOU Vendor.

If the consideration is higher than HK$180.00 million, the Company will finance the amount in excess of HK$180.00 million by internally generated funds. If the consideration is below HK$180.00 million, the Company will allocate the remaining unutilized proceeds for general working capital of the Group.

Given that (i) the net proceeds from the Rights Issue shall be received by the Company after the latest time for termination of the Rights Issue, which is scheduled to be on 18 July 2016; and (ii) it is important for the Company to secure adequate funding for the Possible Acquisition before the entering into of a formal agreement, we consider that it is reasonable for the Company to allocate HK$180.00 million for the Possible Acquisition at the current stage.

In the event that the MOU does not proceed, the Company intends to apply the allocated net proceeds of HK$180.00 million for other investment opportunities including, but not limited to, design and/or manufacturing company in the watch industry as and when identified by the Group. We understand from the management of the Company that the Company is actively seeking for other investment opportunities, but had not identified any investment opportunity other than the Target Company as at the Latest Practicable Date. Given that it is the Group's strategy to strengthen its core competitiveness through expansion and improving the production efficiency and capacities, we consider that it is commercially justifiable for the Group to utilize the relevant proceeds for other investment opportunities in the watch industry in the event that the Possible Acquisition does not materialize.

Expansion of sales network and marketing activities in the PRC

As at the Latest Practicable Date, the Group was operating 850 retail points for its own-branded watches in the PRC. The Board intends to establish an additional 200 retail stores in the second-tier and third-tier cities covering 4 regions in the PRC, of which 60 retail stores to be established in Southern China, 50 retail stores to be established in Central China and 45 retail stores to be established in each of Northern China and Eastern China in 2016 and 2017. In addition, a regional office will also be established in each region.

We have discussed with the management of the Company about its development plan for, and reviewed the budget of, the establishment and operation of the retail stores and regional offices. We noted that the Company intends to apply an aggregate of approximately RMB70.81 million (equivalent to approximately HK$84.97 million) for the establishment and operation of the retail stores and regional offices. The budgets for the retail stores and regional office in Southern China, Central China, Northern China and Eastern China are approximately RMB21.18 million, RMB17.39 million, RMB16.29 million and RMB15.95 million respectively. The costs mainly comprise rental fee, management fee, renovation fee, inventory costs and staff costs for the retail stores and the offices. The Group also intends to allocate approximately HK$12.45 million for conducting marketing activities, such as advertisements on television channels, magazines, newspaper and out-door buildings, in those cities to further increase the brand awareness and market share and penetration rate of the Group's products in the PRC. We understand from the management of the Company that the budgets were prepared with reference to the prevailing rental, staff costs in each region. We are satisfied that the development plans and budgets have been made after due and careful consideration by the Directors and the net proceeds from the Rights Issue to be allocated to the expansion of the sales network in the PRC as mentioned above are generally in line with the budgets of the Company for that purposes.

The Subsidiary Acquisition

On 15 February 2016, the Group entered into the Shares Transfer Agreement relating to the acquisition of the remaining 20% equity interest in the Subsidiary, which is a company established under the laws of the PRC with limited liability and principally engaged in design, production, assembly and sale of watches, at a cash consideration of approximately RMB22.15 million. As at the Latest Practicable Date, the Subsidiary Acquisition has not been completed yet. It is expected that completion of the Subsidiary Acquisition shall take place by November 2016.

We have reviewed the Shares Transfer Agreement and noted that the Group shall pay to the vendor the consideration in the amount of approximately RMB22.15 million (equivalent to approximately HK$26.58 million) in cash by 30 June 2016 (or such later date as the parties to the Shares Transfer Agreement may agree). Given the Group's commitment to the Shares Transfer Agreement, we concur with the Directors' view that it is fair and reasonable for Company to allocate approximately HK$26.58 million of the net proceeds from the Rights Issue for the Subsidiary Acquisition.

Repayment of bank borrowing

As at the Latest Practicable Date, the Group had outstanding bank borrowing of approximately RMB8.00 million (equivalent to approximately HK$9.60 million), which will be due in November 2016. We understand from the management of the Company that the Company has no intentions to renew the bank borrowing and intends to repay its outstanding bank borrowing when it falls due. Therefore, the Company intends to use approximately HK$9.60 million of the net proceeds from the Rights Issue to repay the bank borrowing in November 2016.

Given that the bank borrowing will be due within one year from the Latest Practicable Date and it is essential for the Group to have sufficient fund to repay the bank borrowing when it falls due, we consider it is reasonable for the Company to allocate approximately HK$9.60 million for the repayment of the bank borrowing.

6. Alternative financing methods

During our discussion with the management of the Company, we were given to understand that before resolving to the Rights Issue, the Company has considered other alternative means for fund raising, including but not limited to debt financing, placing of new Shares and open offer. We were advised by the management of the Company that the Company has attempted to obtain loan financing from its two principal bankers. Although the Group has established close collaboration and maintained good business relationship and credit profile with those bankers, the bankers indicated that it was unlikely for the Company to obtain loan financing from them without asset pledge or at favourable terms. Given the familiarity of the Group's business operations by the two principal bankers, the Directors consider that the possibility of securing loan financing from those two bankers is already much higher than other financial institutions. In view of the above and the fund raising size and business scale of the Company, the Directors considered that the possibility for the Company to obtain the required funding by bank financing with favourable terms was remote and debt financing or bank loans would also result in additional interest burden to the Group. Therefore, the Company abandoned the option of debt financing.

Moreover, placing of new Shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. Therefore, the Directors consider that it is not a desirable means to raise fund for the Group at the moment. Although both open offer and rights issue offer all the Qualifying Shareholders an equal opportunity to participate in the enlarged capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so, as compared to rights issue, open offer would not provide an additional option to the Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid rights and would not allow the Qualifying Shareholders who wish to increase their shareholding in the Company to acquire additional nil-paid rights in the market. On the other hand, under the Rights Issue, the Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion and those Qualifying Shareholders who do not take up their allotments can sell the nil-paid rights in the market. The Rights Issue also allows the Qualifying Shareholders who want to increase their interests in the shareholding of the Company by acquiring additional rights entitlement in the open market, subject to the availability, or applying through excess applications for the Rights Shares. Therefore, the Board considers that the Rights Issue is a preferred option as compared to an open offer.

Having considered the above, we concur with the view of the Directors that the Rights Issue is an appropriate means for the Group to obtain the required funding and is in the interests of the Company and the Shareholders as a whole.

7. Principal terms of the Rights Issue

Issue statistics

Basis of the Rights Issue:	two Rights Shares for every one existing Share held on the Record Date
Subscription Price:	HK$0.14 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	1,152,000,000 Shares

Number of Rights Shares:	2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date), representing approximately 200.00% of the Company's issued share capital and approximately 66.67% of the Company's issued share capital of 3,456,000,000 Shares as enlarged by the allotment and issue of 2,304,000,000 Rights Shares immediately after completion of the Rights Issue 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date), representing approximately 212.25% of the Company's issued share capital and approximately 66.67 % of the Company's issued share capital of 3,667,710,000 Shares as enlarged by the allotment and issue of 2,445,140,000 Rights Shares immediately after completion of the Rights Issue
Number of Rights Shares underwritten by the Underwriter:	not less than 2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date)
Number of Shares in issue upon completion of the Rights Issue:	not less than 3,456,000,000 Shares and not more than 3,667,710,000 Shares

As at the Latest Practicable Date, the Company had outstanding Share Options which entitled the holders to subscribe for an aggregate of 70,570,000 new Shares. Assuming the subscription rights attaching to the outstanding Share Options are fully exercised on or before the Record Date, an additional 141,140,000 Rights Shares will be issued. Save as aforementioned, the Company had no other derivatives, outstanding convertible securities, options and warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

The Rights Issue is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules. The Rights Issue is conditional upon, *inter alia*, the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the latest time for termination.

Subscription Price

The Subscription Price of HK$0.14 per Rights Share, which will be payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid rights applies for the Rights Shares, represents:

(i) a discount of approximately 12.50% to the closing price of HK$0.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 49.09% to the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 49.09% to the average closing price of HK$0.275 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 48.72% to the average closing price of HK$0.273 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;

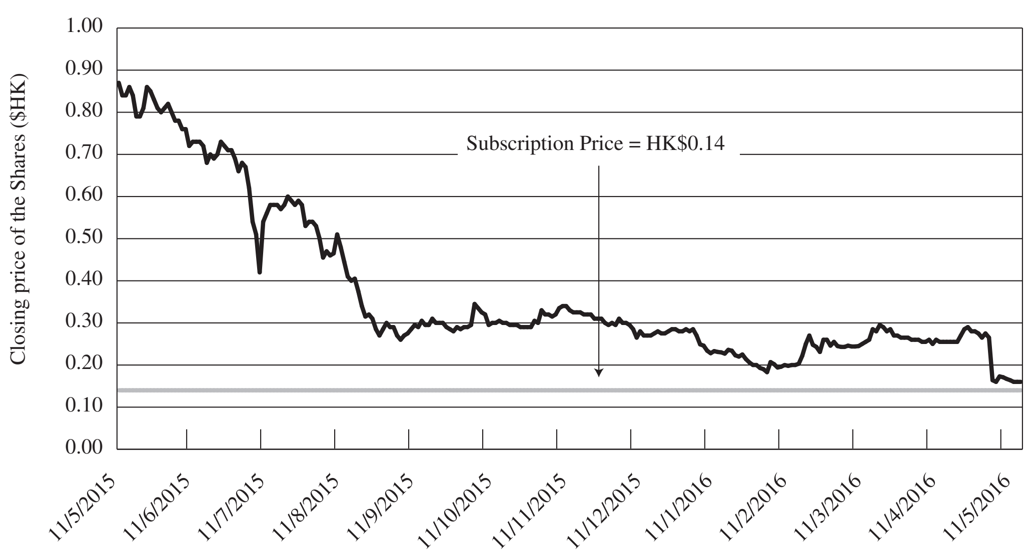
(v) a discount of approximately 24.32% to the theoretical ex-rights price of HK$0.185 based on the closing price of HK$0.275 per Share as quoted on the Stock Exchange on the Last Trading Day; and

(vi) a discount of approximately 81.21% to the unaudited net asset value per Share of approximately HK$0.745 (based on the audited net asset value of the Group of approximately RMB715.62 million (equivalent to approximately HK$858.75 million) as at 31 December 2015 and 1,152,000,000 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; and (ii) the capital needs of the Group.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price of the Shares during the period from 11 May 2015, being 12 months immediately preceding the date of the Underwriting Agreement, to the Latest Practicable Date (the "**Review Period**"). We consider that a period of 12 months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.

Chart 1 – Closing price of the Shares during the Review Period



Source: the website of the Stock Exchange

As illustrated in the above chart, the Shares were traded above the Subscription Price throughout the Review Period with an average closing price of the Shares of approximately HK$0.370. The highest and the lowest closing price of the Shares in the Review Period were HK$0.87 on 11 May 2015 and HK$0.16 on 13, 20, 23 and 24 May 2016 respectively. The Subscription Price represents a discount of approximately 83.9%, 12.5% and 62.2% to the highest, lowest and average closing price of the Shares in the Review Period respectively.

The closing price of the Shares decreased from the highest level for the Review Period of HK$0.87 on 11 May 2015, being the first day of the Review Period, to HK $0.42 on 8 July 2015 and followed by a surge to HK$0.60 on 20 July 2015. The closing price of the Shares then decreased to HK$0.455 on 3 August 2015. On 5 August 2015, the Company announced the 2015 Subscription. After the publication of the announcement regarding the 2015 Subscription, the closing price of the Shares increased gradually to HK$0.51 on 7 August 2015 and then dropped continuously to HK$0.27 on 25 August 2015. Despite the publication of a profit warning announcement dated 26 August 2015 stating that the net profit for the six months ended 30 June 2015 was expected to record a decrease as compared to the previous corresponding period, the closing price of the Shares rebounded to HK$0.30 on 27 August 2015 and then fluctuated in the range of HK$0.26 and HK$0.345 during the period from 28 August 2015 to 4 January 2016.

On 4 January 2016, the Company published an announcement in relation to the 2016 Placing. The closing price of the Shares increased slightly from HK$0.28 on 4 January 2016 to HK$0.285 on 5 January 2016 after the publication of the above-mentioned announcement and then decreased gradually to HK$0.183, being the lowest level for the Review Period before the publication of the announcement relating to the Rights Issue, on 3 February 2016. The closing price of the Shares suddenly rebounded strongly to HK$0.207 on 4 February 2016 without any particular cause and then moved downwards to HK$0.202 on the following trading day. The Company published the MOU Announcement in relation to the Possible Acquisition and the announcement relating to the Subsidiary Acquisition on 5 February 2016 and 15 February 2016 respectively. The closing price of the Shares increased gradually to HK$0.27 on 24 February 2016 and then moved in the range of HK$0.231 and HK$0.26 during the period from 25 February 2016 to 18 March 2016 until it increased to HK$0.295 on 23 March 2016.

On 30 March 2016, the Company published its annual results announcement with a decrease in net profit for the year ended 31 December 2015 as compared to the previous year. The closing price of the Shares dropped to HK$0.255 on 27 April 2016 and then rallied to HK$0.29 on 3 May 2016. Since then, the closing price of the Shares decreased gradually to HK$0.275 on the Last Trading Day. On 11 May 2016, the Company announced the Rights Issue and the closing price of the Shares further decreased to HK$0.16 on the Latest Practicable Date.

We have also reviewed the historical trading volume of the Shares during the Review Period. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 1 below.

Table 1 – Historical average daily trading volume of the Shares

Month	**Number of trading days**	**Average daily trading volume**	**% of average daily trading volume to the total number of Shares** *(Note 1)*	**% of average daily trading volume to the total number of Shares in public hands** *(Note 2)*
2015				
May *(Note 3)*	14	18,391,143	1.5965%	2.3057%
June	22	6,289,814	0.5460%	0.7886%
July	22	3,256,101	0.2826%	0.4082%
August	21	27,027,905	2.3462%	3.3885%
September	20	3,102,800	0.2693%	0.3890%
October	20	10,557,100	0.9164%	1.3236%
November	21	14,106,410	1.2245%	1.7685%
December	22	1,660,364	0.1441%	0.2082%
2016				
January	20	5,285,300	0.4588%	0.6626%
February	18	4,361,000	0.3786%	0.5467%
March	21	1,842,190	0.1599%	0.2310%
April	20	1,303,500	0.1132%	0.1634%
May *(Note 4)*	16	16,093,622	1.3970%	2.0177%

Source: the website of the Stock Exchange

Notes:

1. Calculated based on 1,152,000,000 Shares in issue as at the Latest Practicable Date.

2. Calculated based on 797,632,980 Shares held in public hands as at the Latest Practicable Date.

3. Represents trading volume for the period from 11 May 2015 to 31 May 2015.

4. Represents trading volume for the period from 1 May 2016 to the Latest Practicable Date.

Table 1 demonstrates that during the Review Period, the average daily trading volume of the Shares were in the range of approximately 0.1132% to 2.3462% as to the total number of issued Shares as at the Latest Practicable Date and approximately 0.1634% to 3.3885% as to the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics revealed that the liquidity of the Shares was relatively low.

To further evaluate the fairness and reasonableness of the terms of the Rights Issue, we also considered a broad comparison of rights issues conducted by other companies listed on the main board of the Stock Exchange. Based on the information available from the Stock Exchange's website, we have reviewed, so far as we are aware of, all the rights issues announced by the companies listed on the main board of the Stock Exchange, save for the rights issue transactions with the issue of bonus shares or anti-dilution shares, (the "**Comparables**") during the period from 11 January 2016, being four months immediately preceding the date of the Underwriting Agreement, to the Latest Practicable Date (the "**Comparable Period**"), which is considered to be exhaustive for comparison purposes. Having considered the recent volatility of the Hong Kong stock market and that the Comparable Period is reasonably long enough to (i) reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) include sufficient number of transactions for comparison purposes; and (iii) allow the Shareholders to have a general understanding of the recent rights issue transactions being conducted in the Hong Kong stock market, we considered that the Comparable Period is adequate.

We noted that the businesses, operations, financial position, funding requirements and prospects of the Comparables are not directly comparable to those of the Company. However, given that the terms of rights issues of the Comparables were determined under similar market conditions and sentiments as those when the terms of the Rights Issue were determined and reflect the recent trend of the rights issue transactions in the market, we are of the opinion that the Comparables are fair and representative samples for comparison purposes and can serve as a reference for the recent market practice and provide an insight to the reasonableness of the major terms of the Rights Issue. Details of the trading statistics of the Comparables are summarized in Table 2 below:

Table 2 – Trading statistics of the Comparables

Company name (stock code)	Date of announcement (DD/MM/YYYY)	Basis of entitlement	Premium/(discount) of subscription price over/(to) the closing price on the last trading day	the theoretical ex-rights price	Commission rate	Maximum dilution *(Note 1)*	Theoretical diminution *(Note 2)*	Excess application
			%	%	%	%	%	Yes/No
Chuang's China Investments Limited (298)	17/03/2016	1 for 2	(34.1)	(25.7)	2.5	33.3	11.3	Yes
Ngai Shun Holdings Limited (1246)	24/03/2016	11 for 2	(58.8)	(18.0)	2.5	84.6	49.8	Yes
Glorious Sun Enterprises Limited (393)	29/03/2016	1 for 2	(11.8)	(8.2)	0.0 *(Note 3)*	33.3	3.9	Yes
Pacific Basin Shipping Limited (2343)	18/04/2016	1 for 1	(58.3)	(41.2)	2.3 *(Note 4)*	50.0	29.2	Yes
South China Financial Holdings Limited (619)	20/04/2016	1 for 1	(58.2)	(41.1)	2.0	50.0	29.1	Yes
Huge China Holdings Limited (428)	21/04/2016	1 for 1	(15.3)	(8.3)	2.0	50.0	7.6	Yes
Unity Investments Holdings Limited (913)	23/05/2016	2 for 1	(25.4)	(10.1)	1.5	66.7	17.0	No
China Properties Investment Holdings Limited (736)	24/05/2016	4 for 1	(42.2)	(13.0)	2.5	80.0	33.6	Yes
Maximum			**(11.8)**	**(8.2)**	**2.5**	**84.6**	**49.8**	
Minimum			**(58.8)**	**(41.2)**	**0.0**	**33.3**	**3.9**	
Average			**(38.0)**	**(20.7)**	**1.9**	**56.0**	**22.7**	
the Company (1327)	**11/05/2016**	**2 for 1**	**(49.1)**	**(24.3)**	**1.5**	**66.7**	**32.7**	**Yes**

Source: the website of the Stock Exchange

Notes:

1. Maximum dilution effect is calculated as: (number of rights shares)/((number of existing shares entitled for the rights shares) + (number of rights shares)) x 100%

2. Theoretical diminution is calculated as: ((theoretical ex-rights share price)-(share price on the last trading day prior to the release of the rights issue announcement))/(share price on the last trading day prior to the release of the rights issue announcement) x -100%

3. The underwriting commission is a fixed amount of HK$100,000. The commission rate was calculated by dividing the commission amount of HK$100,000 by the aggregate subscription price of the rights shares underwritten by the underwriter.

4. Different commission rates were offered to the underwriters of the rights issue. The weighted average commission rate of approximately 2.3% was used for comparison purposes.

We noted from Table 2 that all of the Comparables had set the subscription price of their rights issues at a discount to the prevailing market price of the relevant shares before the relevant announcements in respect of the rights issues were made. We consider, therefore, it is a normal market practice for companies to set the subscription price of rights issues at a discount to the prevailing market price of the relevant shares.

As illustrated in Table 2, the subscription prices of the Comparables were set at a discount ranging from approximately 11.8% to 58.8%, to their respective closing prices as quoted on the last trading day prior to the date of the relevant rights issue announcements. The discount of approximately 49.1% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables and it is higher than the average discount of the Comparables of approximately 38.0%.

The subscription prices of the Comparables represent a discount in the range of approximately 8.2% to 41.2% to their respective theoretical ex-rights prices as quoted on the last trading day prior to the date of the relevant right issue announcements. The discount of approximately 24.3% of the Subscription Price to the theoretical ex-rights price of the Shares on the Last Trading Day falls within the range of those of the Comparables and it is higher than the average discount of the Comparables of approximately 20.7%.

The theoretical diminution of the Comparables ranged from approximately 3.9% to 49.8%. The theoretical diminution of the Rights Issue of approximately 32.7% falls within the range of the Comparables and it is higher than the average theoretical diminution of the Comparables of approximately 22.7%.

We noted that the Comparables have a wide range of maximum dilution and theoretical diminution. However, given that the Comparables represent all the rights issues announced by the companies listed on the main board of the Stock Exchange, save for the rights issue transactions with the issue of bonus shares or anti-dilution shares, during the Comparable Period, we consider that they are fair and representative samples and can serve as a reference for the recent market practice regarding the terms of other rights issues under the prevailing market conditions. They can also provide an insight in assessing the fairness and reasonableness of the terms of the Rights Issue. A term falling within the range of the Comparables implies that such term of the Rights Issue is commensurate with the market practice and not deviated substantially from the terms of other rights issues conducted in the market under similar market conditions. Therefore, we consider that whether the term falls within the range of the Comparables is an appropriate indicator of whether such term is fair and reasonable as compared to the prevailing market practice.

We have discussed with the management of the Company whether they have considered other alternative structures for the Rights Issue, such as a structure with lower allotment ratio and higher subscription price. The Directors are of the view that in case the allotment ratio of the Rights Issue is lowered, the Subscription Price will have to be increased so as to maintain the same amount of proceeds to be raised from the Rights Issue and consequently there shall be less incentive for the Qualifying Shareholders to subscribe for the Rights Shares. In addition, the Company has approached three other securities firms, in addition to the Underwriter, for the underwriting of a proposed rights issue for the Company to raise the required funds with structures of lower dilution impact. However, no positive feedbacks were received from those securities firms. It has been indicated to the Company that a relatively deep discount of the subscription price to the market price of the Shares is necessary to induce an underwriter to participate in the underwriting of the rights shares, which is an essential part of the rights issue. The Directors consider that the Subscription Price and the allotment basis of the Rights Issue are reasonably set so as to provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares and an inducement to the Underwriter to participate in the underwriting of the Underwritten Shares while meeting the Company's funding needs for financing its business development.

Based on the above analysis and the facts that (i) the Shares were traded above the Subscription Price throughout the Review Period; (ii) the liquidity of the Shares was thin during the Review Period; (iii) it is common for the companies listed in the main board of the Stock Exchange to set the subscription price of rights issues at a discount to the market price; (iv) although the Comparables may be different from the Group in terms of business, operations, financial position, funding requirements and prospects, the ranges of various parameters of the Comparables can serve as a reference for the recent market practice regarding the terms of other rights issues under the prevailing market conditions and provide an insight in assessing the fairness and reasonableness of the terms of the Rights Issue; (v) the discounts of the Subscription Price to the closing price of the Share on the Last Trading Day and to the theoretical ex-rights price fall within the range of the Comparables; (vi) the theoretical diminution of the Rights Issue falls within the range of the Comparables; (vii) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; (viii) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares may have an opportunity to receive economic benefits from selling their nil-paid rights in the market, subject to availability, as it would be more attractive for the Shareholders who wish to increase their proportional shareholding by applying for the excess Rights Shares or buying nil-paid rights than purchasing Shares in the market; (ix) no positive feedbacks were received from other securities firms approached by the Company for the underwriting of the Rights Issue; and (x) the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter and the current structure of the Rights Issue can induce the Underwriter to participate in the underwriting of the Underwritten Shares, we consider that a relatively deep discount on the Subscription Price is justifiable and on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and any Rights Share provisionally allotted but not accepted. The Board will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application subject to availability of excess Rights Shares. No preferences will be made to Rights Shares comprised in applications by PAL or the number of existing Shares held by the Qualifying Shareholders.

As set out in Table 2, 7 out of 8 Comparables have the arrangement for excess application for the qualifying shareholders. With the arrangement of application for excess Right Shares, the Qualifying Shareholders shall be given a pre-emption right to subscribe for excess Rights Shares if they wish to do so. Moreover, the allocation basis adopted by the Company is in line with the normal market practice of other rights issues with arrangement of application for excess rights shares and the shareholding of each Qualifying Shareholder, except those who do not take up their full entitlements or those who apply for excess Right Shares, will be largely maintained after the completion of the Rights Issue. Based on the above, we concur with the Directors that the arrangement of application for excess Rights Shares for the Qualifying Shareholders and the allocation method for the excess Rights Shares are fair and reasonable so far as the Independent Shareholders are concerned.

8. Underwriting arrangement

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being not less than 2,304,000,000 Rights Shares (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date) and not more than 2,445,140,000 Rights Shares (assuming the outstanding Share Options being exercised in full on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement.

The Company shall pay the Underwriter an underwriting commission of 1.5% of the aggregate Subscription Price in respect of the maximum number of Rights Shares underwritten by the Underwriter as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market condition.

As illustrated in Table 2, the underwriting commission of 1.5% to be charged by the Underwriter under the Underwriting Agreement falls within the range of the Comparables of 0.0% to 2.5% and is lower than the average commission rate of the Comparables of approximately 1.9%. Accordingly, we are of the view that the underwriting commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We were given to understand that the Underwriter has agreed to ensure that at least 25% of the total issued share capital of the Company would be held by the public at all times such that the public float requirements under Rules 8.08 of the Listing Rules would be complied with by the Company after the Rights Issue. In the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules and the Underwriter will use its best endeavours to ensure that the subscribers and/or sub-underwriters are (i) Independent Third Parties; and (ii) will not hold 10% or more of the equity interest and voting rights in the Company upon completion of the Rights Issue.

It should also be noted that the Rights Issue will not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are set out in the Termination of the Underwriting Agreement contained in the Circular. We have reviewed the announcements of the Comparables and consider the termination provisions under the Underwriting Agreement are on normal commercial terms and in line with the market practice.

9. Dilution effect of the Rights Issue on shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

As at the Latest Practicable Date, the existing public Shareholders held approximately 69.24% of the total issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares is subscribed for by the Qualifying Shareholders), the shareholding of the existing public Shareholders will be diluted to approximately 23.08% if no outstanding Share Options are exercised on or before the Record Date or approximately 23.63% if the outstanding Share Options are exercised in full on or before the Record Date. On the other hand, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may, subject to availability, acquire additional nil-paid rights to subscribe for the Rights Shares in the market or apply for excess Rights Shares.

As set out in Table 2, the maximum dilution of the Comparables ranging from approximately 33.3% to approximately 84.6% with an average dilution of approximately 56.0%. For the Excluded Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 66.7% assuming no outstanding Share Options being exercised on or before the Record Date. Such dilution effect falls within the range, but higher than the average, of the Comparables.

In all cases of rights issues, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issues is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since a higher offering ratio of new shares to existing shares has a greater dilution effect on the shareholding.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and the Independent Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in rights issues in general; and (iv) the Rights Issue shall have positive impacts on the financial position of the Group as detailed in section "10. Financial effects" below, we are of the view that the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares is justifiable.

10. Financial effects

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

Net tangible asset

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, had the Rights Issue been completed on 31 December 2015, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders would have increased from approximately RMB693.25 million to approximately RMB954.58 million immediately after the completion of the Rights Issue.

Cash and bank balances

Upon completion of the Rights Issue, the cash and bank balances of the Group will increase by an amount equivalent to the net proceeds of the Rights Issue, which is estimated to be approximately HK$313.60 million.

Gearing

The Rights Issue shall increase the total assets of the Group without bringing any change to the total liabilities. As such, the gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, would decrease after the Rights Issue.

Based on the above analysis, we are of the view that the Rights Issue would have a positive effect on the Group's net tangible assets, cash position and gearing.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution to approve the Rights Issue at the EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

Notes:

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.

2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2014 and 31 December 2015, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2014 (pages 28 to 92) (http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429630.pdf) and 31 December 2015 (pages 32 to 100) (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN20160429715.pdf) respectively, which are incorporated by reference into this Circular. The said annual reports of the Company are available on the Company's website at http://en.time2u.com/and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT

Borrowings

As at close of business on 30 April 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings of approximately RMB16,000,000. These secured bank borrowings comprised fixed interest rate ranging from 4.79% to 6.31% per annum.

Securities

The aforesaid secured bank borrowings of approximately RMB16,000,000 were secured by building and prepaid lease payments with a carrying amount of approximately RMB34,110,000 and RMB13,133,000 respectively and personal guarantee provided by the Directors.

Save as aforesaid, the Group did not have any other bank loans, bank overdrafts and liabilities under acceptance or other similar indebtedness, debenture or other loan capital, mortgages, charges, guarantees or other material contingent liability outstanding as at Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this Circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

In March 2016, the Group aimed to enhance its brand awareness and reinforcing the brand positioning in the international market by launching 3 new brands namely Nordic Design, Extreme and M.O.D. designed by the Hong Kong design team.

Going forward, the Group will explore business opportunities which could complement the Group's current business. The Group will continue to strengthen its core competitiveness by improving its watch design and development capabilities by upholding the design and artistic knowledge of the 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 its manufacturing facilities and equipment, addition of more technologically advanced machines to increase automation of the Group's production facilities will increase production efficiency and capacities. In this way, the Company's financial performance can be strengthened and optimal benefits will be brought to its Shareholders.

A. REPORT OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the sole purpose of inclusion in this circular.

HLB 國衛會計師事務所有限公司 Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

27 May 2016

The Board of Directors
Time2U International Holding Limited
21E, YHC Tower,
1 Sheung Yuet Road,
Kowloon Bay, Kowloon
HONG KONG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN CIRCULAR

TO THE DIRECTORS OF TIME2U INTERNATIONAL HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Time2U International Holding Limited (the "**Company**") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma net tangible assets statement as at 31 December 2015 (the "**Pro Forma Financial Information**"), and related notes as set out in Appendix II of the circular issued by the Company (the "**Circular**"). The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described in Appendix II of the Circular.

The Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of two rights shares for every one share held on the record date (the "**Proposed Rights Issue**") on the Group's financial position as at 31 December 2015 as if the proposed rights issue had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted from the Group's audited financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, 'Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars' ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, 'Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular', issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in this Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 27 May 2016

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the rights issue (the "**Rights Issue**") on the basis of two rights shares ("**Rights Share**") for every one existing share in issue on the Record Date at HK$0.14 per Rights Share on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company derived from the unaudited consolidated statement of financial position of the Group as at 31 December 2015, extracted from the annual report of the Company for the year ended 31 December 2015, with adjustment described below:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company	**Estimated net proceeds from Rights issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights issue**
	(note 1)	*(note 2)*	
	RMB'000	*RMB'000*	*RMB'000*
Net assets attributable to owners of the Company	693,249	261,333	954,582

	RMB$
Audited consolidated net tangible assets of the Group per share attributable to the owners of the Company as at 31 December 2015 before the completion of the Rights Issue *(Note 3)*	0.60
Unaudited pro forma adjusted consolidated net tangible assets per of the Group share attributable to the owners of the Company after completion of the Rights Issue *(Note 4)*	0.28

Notes:

(1) The audited consolidated net tangible assets (excluding non-controlling interests) of the Group attributable to the owners of the Company as at 31 December 2015 of approximately RMB693,249,000 is calculated based on the share capital and reserves attributable to the owners of the Company as at 31 December 2015.

(2) The estimated net proceed from Rights Issue of approximately RMB261,333,000 is based on 2,304,000,000 Rights Shares to be issued (based on 1,152,000,000 shares in issue as at the Latest Practicable Date and assuming no outstanding share options being exercised and no shares being repurchased by the Company) at the subscription price of HK$0.14 per Rights Share and after deduction of estimated related expenses, including among others, other professional fees, which are directly attributable to the Rights Issue, of approximately RMB7,467,000.

(3) The audited consolidated net tangible assets of the Group per share attributable to the owners of the Company as at 31 December 2015 before the completion of the Rights Issue is determined based on the consolidated net tangible assets (excluding non-controlling interests) of the Group attributable to the owners of the Company as at 31 December 2015 of approximately RMB693,249,000 as disclosed in note (1) above, dividend by 1,152,000,000 shares of the Company as at Latest Practicable Date, which comprise (i) 960,000,000 share of the Company in issue as at 31 December 2015 and (ii) 192,000,000 placing share completed on 18 January 2016.

(4) Unaudited pro forma adjusted consolidated net tangible assets (excluding non-controlling interests) of the Group per share attributable to the owners of the Company as at 31 December 2015 immediately after the completion of the Right Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of Right Issue of approximately RMB954,582,000, dividend by 3,456,000,000 shares of the Company immediately after Right Issue, which comprise (i) 960,000,000 share issue as at 31 December 2015; (ii) 192,000,000 placing share completed on 18 January 2016 and (iii) 2,304,000,000 Rights Shares to be issued pursuant to the Right Issue (based on 1,152,000,000 shares in issue as at the Latest Practicable Date and assuming no outstanding share options being exercised and no shares being repurchased by the Company).

(5) No adjustment has been made to reflect any trading results or other transaction of Group entered into subsequent to 31 December 2015.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company: (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue are as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
13,000,000,000	Shares	130,000,000.00
Issued and fully-paid:		*HK$*
1,152,000,000	Shares in issue	11,520,000.00

(ii) Immediately following the completion of the Rights Issue

(a) Assuming no outstanding Share Options being exercised from the Latest Practicable Date up to the Record Date:

Authorised:		*HK$*
13,000,000,000	Shares	130,000,000.00

Issued and fully paid:		*HK$*
1,152,000,000	Shares as at the Latest Practicable Date	11,520,000.00
2,304,000,000	Rights Shares to be allotted and issued upon completion of the Rights Issue	23,040,000.00
3,456,000,000	Shares in issue immediately after completion of the Rights Issue	34,560,000.00

(b) Assuming the outstanding Share Options being exercised in full from the Latest Practicable Date up to the Record Date:

Authorised:		*HK$*
13,000,000,000	Shares	130,000,000.00

Issued and fully paid:		*HK$*
1,152,000,000	Shares as at the Record Date	11,520,000.00
70,570,000	Upon exercise of the outstanding Share Options in full	705,700,000.00
2,445,140,000	Rights Shares to be allotted and issued upon completion of the Rights Issue	24,451,400.00
3,667,710,000	Shares in issue immediately after completion of the Rights Issue	36,677,100.00

Share Options

As at the Latest Practicable Date, there were 70,570,000 outstanding Share Options granted by the Company under the Share Option Scheme which in aggregate entitle holders thereof to subscribe for 70,570,000 new Shares. The holders of the Share Options were Directors, employees and consultants of the Group who were eligible participants of the Share Option Scheme.

Among the Share Options, all of the 70,570,000 Shares were to be allotted and issued at the exercise price of HK$0.726 per Share. The exercise prices of the Share Options and/or the number of Shares to be allotted and issued upon full exercise thereof may be subject to further adjustment as a result of the Rights Issue. Details of the outstanding options as at the Latest Practicable Date were as follows:

	Date of grant	**Exercised price**	**Exercised period**	**Number of Shares issuable upon exercise in full of the Share Options**
Executive Directors				
Lin Zhiqiang	16 June 2015	HK$0.726	16 December 2015 to 15 June 2025	800,000
Yan Xiatong *(Note)*	16 June 2015	HK$0.726	16 December 2015 to 15 June 2025	800,000
Other employees and consultants	16 June 2015	HK$0.726	16 December 2015 to 15 June 2025	12,370,000
	16 June 2015	HK$0.726	16 December 2015 to 15 June 2025	56,600,000
Total				70,570,000

Note:

Ms. Yan Xiaotong was appointed as executive Director in July 2014 and resigned in September 2015.

All Rights Shares, when allotted and issued, shall rank *pari passu* with each other and in all respects with each other in all respects including rights to dividends, voting and return of capital. All Rights Shares to be issued will be listed on the Stock Exchange.

The issued Shares are listed and traded on Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

Saved for the placing of 192,000,000 new Shares as disclosed in the announcement of the Company dated 4 January 2016, since 31 December 2015, the date to which the latest audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date, there had not been any new issue of Shares.

Saved for disclosed above, as at the Latest Practicable Date, the Company has no outstanding warrants, options, derivatives or convertible or exchangeable securities.

Saved for disclosed above, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name	Nature of interest/ capacity	Total number of Shares	Percentage of the Company's issued share capital
Mr. Lin Zhiqiang (*Note*)	Interest in controlled corporation	354,367,020	30.76%

Note:

As at the Latest Practicable Date, Mr. Lin Zhiqiang, the chief executive officer, chairman and an executive Director, and Ms. Yan Xiaotong, own 62% and 38% of Visual Wise respectively. Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and they are deemed to have interest in the Shares in which his/her spouse is interested in.

(b) Substantial Shareholders' interest

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% 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 member of the Group or had any option in respect of such capital:

Name	**Nature of interest/capacity**	**Total number of Shares**	**Percentage of the Company's issued share capital**
Visual Wise	Beneficial owner	354,367,020 (L)	30.76%
Mr. Lin Zhiqiang *(Note 1)*	Interest in controlled corporation	354,367,020 (L)	30.76%
Ms. Yan Xiaotong *(Note 1)*	Interest in controlled corporation	354,367,020 (L)	30.76%
China Prospect	Interest in controlled corporation	2,445,140,000 (L) *(Note 2)*	66.67% *(Note 3)*

(L) denotes long position
(S) denotes short position

Notes:

1. As at the Latest Practicable Date, Mr. Lin Zhiqiang, the chief executive officer, chairman and an executive Director, and Ms. Yan Xiaotong, own 62% and 38% of Visual Wise respectively. Ms. Yan Xiaotong is the spouse of Mr. Lin Zhiqiang and they are deemed to have interest in the Shares in which his/her spouse is interested in.

2. These 2,445,140,000 Shares represent the number of Underwritten Shares assuming the outstanding Share Options being exercised in full on or before the Record Date committed by China Prospect, as the Underwriter, pursuant to the Underwriting Agreement.

3. The percentage is calculated based on the enlarged issued share capital of the Company upon the completion of the Rights Issue, being 3,667,710,000 Shares, assuming the outstanding Share Options being exercised in full on or before the Record Date.

4. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

Except of Mr. See Ching Chuen and Mr. Zheng Qingjie, each of the executive Director has entered into a service agreement with the Company for an initial term of three years with effect from the listing date of the Company, 30 January 2015, unless terminated by not less than three months' notice in writing served by either the Director or the Company. All executive Directors are also entitled to a salary plus a discretionary bonus which shall be recommended by the remuneration committee of the Board and as approved by the majority of the Board. The aggregate amount of discretionary management bonuses payable to the Directors in respect of any financial year shall be subject to the approval by the Shareholders in general meeting and shall not exceed five percent of the audited consolidated net profits of the Group (after taxation and minority interests but before extraordinary and exceptional items) of the same financial year.

Each of the independent non-executive Director has signed a letter of appointment with the Company for a term of two years with effect from the Listing Date unless terminated by not less than one months' notice in writing served by either the independent non-executive Director or the Company. Save for their remuneration, none of the independent non-executive Directors is expected to receive any other emoluments for holding their office as an independent non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion and advice, which is contained in this Circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited ("**HLB**")	Certified Public Accountants
Hercules Capital Limited	A corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of HLB and Hercules Capital Limited: (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, (i) the Group was not engaged in any litigation or claims of material importance, and (ii) no litigation or claims of material importance is pending or threatened against the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Underwriting Agreement;

(b) a placing agreement dated 4 January 2016 entered into between the Company and Black Marble Securities Limited for the placing of up to 192,000,000 placing Shares on a best effort basis, at the placing price of HK$0.23 per placing Share;

(c) a placing agreement dated 5 August 2015 entered into between Visual Wise, the Company and Black Marble Securities Limited for the placing of up to 160,000,000 placing Shares on a best effort basis, at the placing price of HK$0.40 per placing Share;

(d) the underwriting agreement dated 19 January 2015 relating to the IPO entered into by, among others, the Company, Visual Wise, Cinda International Capital Limited and the underwriters in respect of the IPO;

(e) a deed of indemnity dated 19 December 2014 executed by the Controlling Shareholders in favour of the Company, details of which are set out in the IPO Prospectus;

(f) a deed of non-competition dated 19 December 2014 executed by the Controlling Shareholders in favour of the Company, details of which are set out in the IPO Prospectus;

(g) a sale and purchase agreement dated 30 July 2014 and entered into among Mr. Lin Zhiqiang, Ms. Yan Xiaotong and Speedy Glory in relation to the acquisition by Speedy Glory of all the issued shares of Jiulongjiu from Mr. Lin Zhiqiang and Ms. Yan Xiaotong at a nominal consideration of HK$2 and the shareholder's loan from Mr. Lin Zhiqiang at the consideration of approximately HK$13.5 million;

(h) a letter of amendment dated 21 July 2014 and entered into among the Company, Celestial Award, Visual Wise and Mr. Lin Zhiqiang setting out certain amendments to the investment agreement dated 13 May 2014 and entered into among the Company, Celestial Award, Visual Wise and Mr. Lin Zhiqiang in relation to the subscription of 5,810 Shares by Celestial Award at a consideration of HK$20,000,000 upon the termination of the subscription agreement (the "**Subscription Agreement**") dated 13 May 2014 and entered into among the Company, Ace Joy and Mr. Ng Fai Ching in relation to the subscription of 3,630 Shares by Ace Joy at a consideration of HK $12,576,560; and

(i) a letter of termination dated 27 June 2014 and entered into among the Company, Ace Joy and Mr. Ng Fai Ching, pursuant to which the Subscription Agreement described in (h) above was terminated.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK$8.96 million, which are payable by the Company.

11. CORPORATE INFORMATION

Board of Directors	Correspondence Address
Executive Directors	
Mr. Lin Zhiqiang *(Chairman)*	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Mr. See Ching Chuen	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Mr. Zheng Qingjie	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Independent non-executive Directors	
Mr. Chang Wei	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Mr. Nie Xing	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Mr. Yu Chon Man	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong

Audit Committee	Mr. Yu Chon Man *(Chairman)* Mr. Chang Wei Mr. Nie Xing
Remuneration Committee	Mr. Nie Xing *(Chairman)* Mr. Lin Zhiqiang Mr. Chang Wei
Nomination Committee	Mr. Nie Xing *(Chairman)* Mr. Chang Wei Mr. See Ching Chuen
Authorised Representatives	Mr. Lin Zhiqiang Ms. Ho Ka Yan
Compliance Adviser	Cinda International Capital Limited 45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Company Secretary	Ms. Ho Ka Yan, ACIS ACS
Principal Bankers	**Agricultural Bank of China Limited** Zhangzhou Xiangjiang Branch Xiangrong Building 7 Shengli West Road Zhangzhou City Fujian Province PRC **China CITIC Bank Corporation Limited** Zhangzhou Xiangcheng Branch No. 1, Block 7, Lijing Garden Danxia Road Zhangzhou City Fujian Province PRC

	Industrial and Commercial Bank Limited Zhangzhou Xiangcheng Branch 14 Yan'an North Road Zhangzhou City Fujian Province PRC
	Industrial Bank Co., Ltd. Zhangzhou Branch Longmen Building 27 Shengli West Road Zhangzhou City Fujian Province PRC
	Xiamen International Bank Co., Ltd. Xiamen Siming Branch Xingang Square 10 Hubin North Road Xiamen City Fujian Province PRC
Auditors	**HLB Hodgson Impey Cheng Limited** Certified Public Accountants 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central Hong Kong
Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Cayman Islands Principal Share Registrar and Transfer Office	**Codan Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands

Headquarter and Principal Place of Business in PRC	Jinfeng Development Zone Jinma Road Zhangzhou City Fujian Province PRC
Principal Place of Business in Hong Kong	21E, YHC Tower 1 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Hong Kong Branch Share Registrar and Transfer Office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Homepage	www.time2u.com
Stock Code	1327

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

The Company	**Time2U International Holding Limited** 21E YHC Tower 1 Sheung Yuet Road Kowloon Bay Kowloon, Hong Kong
Financial adviser to the Company	**Opus Capital Limited** 18/F, Fung House 19-20 Connaught Road Central Central Hong Kong
Underwriter	**China Prospect Securities Limited** Units 1113A & 1115 11/F, COSCO Tower 183 Queen's Road Central Sheung Wan Hong Kong

Legal advisers to the Company	***Hong Kong Law*** **Tang Tso & Lau** Room 209, 2/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Auditors and reporting accountants	**HLB Hodgson Impey Cheng Limited** Certified Public Accountants 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	**Hercules Capital Limited** 1503 Ruttonjee House 11 Duddell Street Central Hong Kong
Branch share registrar and transfer office of the Company in Hong Kong	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

13. PROFILES OF DIRECTORS

Executive Directors

Mr. Lin Zhiqiang, aged 48, is an executive Director and the chairman of the Company. He is responsible for the overall strategic planning and business development of the Group. He was appointed as the chairman of the Board and an executive Director with effect from July 2014. Mr. Lin is the spouse of Ms. Yan Xiaotong, the chief executive officer of the Company and an executive Director.

Mr. Lin is one of the founders of the Group. He has accumulated approximately 20 years of experience in the watch industry. Mr. Lin holds several social titles including the vice chairman of the tenth council of Fujian Youth Entrepreneurs' Association (福建省青年企業家協會), the honourary chairman of the ninth council of Zhangzhou Youth Entrepreneurs' Association (漳州市青年企業家協會), the executive director of the sixth chamber of the Youth Council of Fujian Province (福建省青年商會), the vice chairman of the first council of the Enterprises and Entrepreneurs Association of Xiangcheng District, Zhangzhou City (漳州市薌城區企業與企業家聯合會), a member of the 12th Chinese People's Political Consultative Conference in Zhangzhou City of Fujian Province and a member of the National Technical Committee on Watch Standardisation Administration (SAC/TC160) (全國鐘錶標準化技術委員會 (SAC/TC160)) and the Subcommittee on Wristwatch of National Technical Committee on Watch Standardisation Administration (SAC/TC160/SC2) (全國鐘錶標準化技術委員會手錶分技術委員會 (SAC/TC160/SC2)). Mr. Lin graduated from Zhangzhou No. 1 Secondary Vocational School of Fujian Province (福建省漳州第一職業中專學校) in art in July 1985 and he completed a postgraduate course in the Economic and Law Department of Fujian Normal University (福建師範大學) with a diploma in economic and political science in December 1998. In December 2007, Mr. Lin completed the Senior Research Study on Watch Design (鐘錶外觀設計高級研修班) held by the China Horologe Association (中國鐘錶協會).

Mr. See Ching Chuen, aged 54, is an executive Director of the Company. He was appointed as an executive Director with effect from March 2015. He has more than 17 years' experience in management and business strategic planning. He was an executive director of a company listed on the Growth Enterprise Market of The Stock Exchange, namely Longlife Group Holdings Limited (currently known as Rui Kang Pharmaceutical Group Investments Limited) (stock code: 8037) from June 2012 to May 2013. Mr. See has been the shareholder and director of Han Telecom Company Limited since 1997.

Mr. Zheng Qingjie, aged 47, has joined the Group since the Group was founded and contributes to the growth of the Group for 20 years. Mr. Zheng is one of the witnesses to the growth of the Group. He is primarily responsible for the brand promotion and e-commerce of the Group. He has accumulated approximately 20 years of experience in the watch industry. Mr. Zheng graduated from Zhangzhou Secondary Vocational School of Fujian Province (福建省漳州市職業中學) in art in July 1985.

Independent Non-executive Directors

Mr. Chang Wei, aged 39, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of the Group independently. Mr. Chang has over eight years of experience in the publication industry. Since 2006, Mr. Chang has been the legal representative of Zhongxingshi (Beijing) International Advertising Co., Ltd. (中興時(北京)國際廣告有限公司). He has been a member of the Committee of Collection and Research of China Horologe Association (中國鐘錶協會收藏研究委員會) and the Beijing Association of Collectors (北京收藏家協會) since 2013 and 2005, respectively. He is also the author of "Bovet and China" (《播威與中國》), "Thirty Lectures on Horologe Collections" (《鐘錶收藏知識30講》), "China and Horologe" (《中國與鐘錶》) and "Appreciation of Well-known Watches" (《名錶名鑑》), which were first published in 2005 and subsequently published in 2009 and 2013. Mr. Chang completed the course of marketing and obtained the diploma from Shanxi Industrial and Commercial Training Institute (山西工商專修學院) in July 2000.

Mr. Nie Xing, aged 51, is an independent non-executive Director, who was appointed in December 2014, and responsible for overseeing the management of the Group independently. Mr. Nie has over 10 years of management experience. Mr. Nie became the deputy chief operating officer of China Culiangwang Beverages Holdings Limited (中國粗糧王飲品控股有限公司)(Stock Code: 904) (formerly known as China Green (Holdings) Limited (中國綠色食品(控股)有限公司)), a company listed on the Stock Exchange specialised in green food business, in June 2001 and was subsequently appointed as an executive director in November 2008. Mr. Nie resigned from the office of executive director in November 2013 but remains the deputy chief operating officer of such company. He was an executive director of such company from 2008 to 2013. From 2003 to 2008, Mr. Nie was an independent director of Guomai Technologies Inc. (國脈科技股份有限公司), a telecom outsourcing service provider listed on the Shenzhen Stock Exchange. Since 2008, Mr. Nie has been an independent non-executive director of China Lilang Limited (中國利郎有限公司)(Stock Code: 01234), a men's clothing company listed on the Stock Exchange. Mr. Nie has been the chairman of Xiamen Juxin Investment Co., Ltd. (廈門颶鑫投資有限公司), an investment company in the PRC, since 2010. Mr. Nie received a bachelor's degree in economics from the Jiangxi College of Finance and Economics (江西財經學院) (subsequently renamed as Jiangxi University of Finance and Economics (江西財經大學)) in July 1986 and received a master's degree in business administration from the Open University of Hong Kong through distance learning in December 2000.

Mr. Yu Chon Man, aged 38, is an independent non-executive Director, who was appointed in December 2014, and is responsible for overseeing the management of the Group independently. Mr. Yu has over 13 years of experience in the accounting and finance industry. He has been the financial controller, qualified accountant and company secretary of China Singyes Solar Technologies Holdings Limited (中國興業太陽能技術控股有限公司)(stock code: 750), a company listed on the Stock Exchange specialised in the manufacture and sale of solar power products, since June 2008 and responsible for its financial reporting and general investor affairs. He was an independent non-executive Director of the Sky Forever Supply Chain Management Group Limited (宇恒供應鏈集團有限公司)(stock code: 8047) (formerly known as Rising Power Group Holdings Limited (昇力集團控股有限公司)), a company listed on the Stock Exchange specialised in supply chain management, from June 2014 to July 2014. He has been an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238), a magazine publishing group since January 2015. Mr. Yu received a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2001. He has been a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since December 2004 and July 2005, respectively.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business in Hong Kong of the Company at 21E YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this Circular up to and including the date of the EGM:

(a) the memorandum of association and Bye-Laws;

(b) the annual reports of the Company for the two financial years ended 31 December 2014 and 2015;

(c) the report on the pro forma financial information of the Group upon completion of the Rights Issue, the text of which is set out in Appendix II of this Circular;

(d) the letter from the Board;

(e) the letter from the Independent Financial Adviser;

(f) the letter from the Independent Board Committee;

(g) the material contracts as referred to in the section headed "Material Contracts" in this appendix;

(h) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix; and

(i) this Circular.

15. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's headquarter and principal place of business in PRC is at Jinfeng Development Zone, Jinma Road, Zhangzhou City, Fujian Province, PRC. The Company's principal place of business in Hong Kong is at 21E, YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

(b) The secretary of the Company is Ms. Ho Ka Yan ("**Ms. Ho**"). Ms. Ho is an associate member of the Hong Kong Institute of Chartered Secretaries and has years of experience in corporate governance and company secretaries matters. She obtained a Master of Corporate Governance degree from the Hong Kong Polytechnic University in 2014.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

(e) The English texts of this Circular and the accompanying form of proxy shall prevail over their Chinese texts in the case of any inconsistency.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of Time2U International Holding Limited (the "**Company**") will be held at Lily Room, 3/F, BEST WESTERN PLUS Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong on Tuesday, 14 June 2016, at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

"**THAT** conditional upon fulfillment or wavier (where applicable) of the conditions of the Underwriting Agreement (as defined below):

(a) the allotment and issue of not less than 2,304,000,000 shares of HK$0.01 each in the share capital of the Company (the "**Shares**") and not more than 2,445,140,000 Shares (in their nil paid and fully paid form) (the "**Rights Shares**") by way of rights (the "**Rights Issue**") at a subscription price of HK$0.14 per Rights Share to the qualifying holders of the Shares (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company on Friday, 24 June 2016 (or such later date as the Company and the Underwriter (as defined below) may agree to be the record date for the Rights Issue) (the "**Record Date**") other than those shareholders with addresses on the Record Date are outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the "**Excluded Shareholders**") as described in further details in the Company's circular dated 27 May 2016 and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the "**Underwriting Agreement**") including all supplemental agreement(s) relating thereto (if any) (a copy of which has been produced to this meeting marked "A" and signed by the chairman of this meeting for the purpose of identification) dated 11 May 2016 and made between the Company and China Prospect Securities Limited as underwriter (the "**Underwriter**"), and the transactions contemplated thereunder, be and are hereby approved;

(b) any one Director be and is hereby authorised to allot and issue the Rights Shares (in their nil paid and fully paid form) pursuant to or in connection with the Rights Issue notwithstanding that (i) the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong and (ii) excess Rights Shares which would otherwise have been allotted to the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares;

(c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter) be and are hereby approved;

(d) the arrangements for application for Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue be and are hereby approved, confirmed and ratified;

(e) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution."

By order of the Board
Time2U International Holding Limited
Lin Zhiqiang
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 May 2016

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
21E, YHC Tower,
1 Sheung Yuet Road,
Kowloon Bay, Kowloon,
Hong Kong