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Time2U International Holding Limited

時間由你國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

**SUPPLEMENTARY ANNOUNCEMENT IN RESPECT OF
MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL AND ENTERING INTO
THE LEASEBACK ARRANGEMENT**

Reference is made to the announcement of the Company dated 4 May 2017 in relation to, amongst others, the Disposal of a wholly-owned subsidiary (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

The Board would like to announce that on 9 June 2017 (after the trading hours), the Company has entered into a supplemental agreement (the “**Supplemental Agreement**”) in relation to the leaseback arrangement in respect of certain assets of the Target Group (the “**Leaseback Arrangement**”). Details of the Leaseback Arrangement are set out below.

DETAILS OF THE LEASEBACK ARRANGEMENT

Date

9 June 2017

Parties

- (i) Ms. Guo Junyan (the “**Lessor**”)
- (ii) Time2U International Holding Limited (the “**Lessee**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Lessor is an independent third party of the Company and its connected persons (as defined in the Listing Rules).

Subject matter

Pursuant to the Supplemental Agreement, the Lessor agrees to lease the production facilities located in Jinfeng Industrial Zone of Xiangcheng District, Zhangzhou City, Fujian Province, PRC, (the “**Leased-back Production Facilities**”) to the Lessee upon Completion.

The Leaseback Arrangement is conditional upon the completion of the Disposal. For the conditions of the Disposal, please refer to the Announcement.

Consideration – Principal and Lease Payments

The total consideration for the Production Facilities for the duration of the lease period is RMB54 million, which includes the principal amount of the Leased-back Production Facilities, insurance, bank charges and interest, shall be paid by the Lessee to the Lessor or the wholly-owned subsidiary of the Target Group, Zhangzhou Hongyuan Watch Co. Limited* (漳州宏源錶業有限公司) (“**Hongyuan**”) by way of cash in the following manner:

- (i) an initial deposit in the sum of RMB1 million payable within 10 days upon the Completion; and
- (ii) a lease payment of RMB1.5 million payable each month until the completion of the Leaseback Arrangement.

If the Lessee cannot pay the initial deposit or the lease payments on schedule, the Lessee is responsible for all the liabilities arising as a result. However, the initial deposit (without interest) will be returned to the Lessee upon the completion of the Leaseback Arrangement or partially or fully used as the last lease payment. If there is any breach of contract by the Lessee during the duration of the lease period, the Lessor will set-off any compensation due from the Lessee from the deposit.

Duration

The Lessee will repay the principal amount together with interest by making a lease payment to the Lessor or Hongyuan every month for a period of 36 months (inclusive the date of commencement of the Leaseback Arrangement). The Lessee is not allowed to terminate the Leaseback Arrangement and amend the terms and conditions of the Supplemental Agreement without the consent of the Lessor.

Rights and Responsibilities of Using the Leased-back Production Facilities

The rights and responsibilities of the Lessee are as follows:

- (i) the Lessee has the rights for using the Leased-back Production Facilities during the lease period;
- (ii) the Lessee is responsible for the necessary maintenance, and is liable for the damages due to negligence;

- (iii) the Lessee is liable for all incidents related to production or application. The Lessee may not withhold lease payment or recover any damages as a result of any such incidents occurred;
- (iv) the Lessee may not sell, transfer, sublet, pledge, invest or perform any other activities which will breach Hongyuan's ownership over the Leased-back Production Facilities;
- (v) the Lessee should provide assistance during the inspection period of the Leased-back Production Facilities by Lessor and Hongyuan;
- (vi) the Lessee should not claim or declare itself owning the Leased-back Production Facilities directly and/or indirectly. If the Lessee is under debt dispute or liquidation during the lease period, the Lessee cannot use the Leased-back Production Facilities to discharge its liabilities.

The rights and responsibilities of the Lessor and/or Hongyuan are as follows:

- (i) the ownership of the Leased-back Production Facilities belongs to Hongyuan during the lease period;
- (ii) the Lessor and/or Hongyuan has the right to inspect the usage of Leased-back Production Facilities during the lease period; and
- (iii) the Lessor is responsible for the regular repair and maintenance, and is liable for all expenses incurred.

Production Facilities upon end of lease period

Upon expiry of the Leaseback Arrangement, the Lessee has the option to either:

- (i) purchase the Leased-back Production Facilities from the Lessor at the consideration of RMB1 million. The consideration should be paid together with the last lease payment. The Lessee is liable for any extra expenses such as taxation or interest incurred in the purchase. The ownership of the Leased-back Production Facilities would be transferred to the Lessee after all payments; or
- (ii) negotiate with the Lessor 3 months before expiration in relation to, amongst others, the renewal and entering into a new leasing contract, the lease period, lease payment and settlement method.

Once the Lessee has chosen one of the above options, the other option will be unavailable under the Supplemental Agreement.

Production Facilities Insurance

Hongyuan is responsible for the property insurance, delivery insurance, and other insurance premium, before the commencement of the Leaseback Arrangement.

If any accidents, which are under insurance coverage, occur during the lease period, the Lessee is responsible to notify the Lessor and Hongyuan in writing. The claims obtained from the insurance company should be payable to Hongyuan and be used as lease payments. If the claims obtained exceeds the required lease payments, Hongyuan shall return the excess to the Lessee. However, if the claims is less than the required lease payments, the Lessee should pay the Lessor the remaining amount. The claims obtained by the Lessee can only be used for the replacement and maintenance of the damaged Leased-back Production Facilities. The Lessee remains liable to pay the lease payments during the period of repair and maintenance.

Breach of Leaseback Arrangement

The Lessor or Hongyuan has the right to terminate the Leaseback Arrangement, close down or withdraw the Leased-back Production Facilities if the Lessee (i) cannot pay the lease payments within 1 month after the due date; and (ii) breach the rights and responsibilities of using the Leased-back Production Facilities. All the losses and expenses incurred during termination procedures of the Leaseback Arrangement are liable to the Lessee.

All disputes arose under the Leaseback Arrangement between the Lessee the Lessor and Hongyuan shall first be negotiated among the parties. However, each has the right to settle through legal procedures.

REASONS FOR AND BENEFITS OF THE LEASEBACK ARRANGEMENT

The Directors consider the transactions contemplated under the Disposal and the Leaseback Arrangement to be beneficial to the Group as the Group could obtain additional working capital on reasonable terms to support its business and operational activities while at the same time maintaining the appropriate rights over the Leased-back Production Facilities.

The Board considers that the terms of Leaseback Arrangement and the transaction contemplated thereunder are on normal commercial terms and arrived at after arm's length negotiations between the parties thereto. Stated as disclosed herein, all other terms of the Disposal remain unchanged and shall continue in full force and effect. In view of the above, the Board considers the Leaseback Arrangement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The transaction contemplated under the Leaseback Arrangement is conditional upon the completion of the Disposal. The Disposal and the Leaseback Arrangement constitute a major transaction of the Company under Chapter 14 of the Listing Rules on the basis that one or more of the applicable percentage ratios in respect of the Disposal and the Leaseback Arrangement exceed 25% but is less than 75%. The Disposal and the Leaseback Arrangement are therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

Hong Kong, 9 June 2017

As at the date of this announcement, the Board comprises three executive Directors being Mr. See Ching Chuen, Mr. Yang Xi and Mr. Zou Weikang; and one independent non-executive Director, being Mr. Yu Chon Man.

* *for identification purpose*