
THIS CIRCULAR IS IMPORTANT AND REQUEST YOUR IMMEDIATE ATTENTION

If you are in in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

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

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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)

**(1) MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL AND
THE LEASEBACK ARRANGEMENT;
(2) PROPOSED RE-ELECTION OF THE DIRECTORS
AND
(3) NOTICE OF EGM**

Terms used in this cover shall have same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 29 of this circular. A notice convening the EGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Hong Kong, on Tuesday, 26 September 2017 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM, together with the reply slip, is enclosed with this circular.

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.

11 September 2017

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DEFINITIONS

In this circular, the following terms and expressions shall have the following meanings unless the context otherwise requires:

“Agreement”	the conditional provisional agreement dated 2 May 2017 entered into between the Company and the Purchaser for the sale and purchase of the Sale Shares and Sale Loan
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Company”/“Lessee”/“Vendor”	Time2U International Holding Limited, a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and Sale Loan under the Agreement
“Completion Date”	the business day agreed by the Parties to perform Completion which shall be within 5 business days immediately following the satisfaction (or waiver) of all the Conditions Precedent (or such other date to be agreed by the Parties)
“Conditions Precedent”	the conditions set out under conditions precedent
“Consideration”	means HK\$180,000,000 (adjusted by the Sale Loan amount on the Completion Date), being the purchase price for the Sale Shares and Sale Loan
“Directors”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares and Sale Loan subject to such terms and conditions as set out in the Agreement
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve, among other things, the Disposal and the Leaseback Arrangement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hongyuan”	漳州宏源錶業有限公司 (Zhangzhou Hongyuan Watch Co. Limited [#]), a wholly-owned subsidiary of the Target Group and an indirect wholly-owned subsidiary of the Group
“Latest Practicable Date”	7 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information
“Leaseback Arrangement”	the lease arrangement entered into between the Company and the Purchaser on 9 June 2017 which comprises the Supplemental Agreement
“Leased-back Production Facilities”	certain production facilities owned by Hongyuan which are located in the Jinfeng Industrial Zone of the Xiangcheng District, Zhangzhou City, Fujian Province, PRC
“Lessor”/“Purchaser”	Ms. Guo Junyan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2017 or any other later date as agreed between the Parties
“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
“Parties”	the named parties to the Agreement and their respective successors and permitted assigns
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of PRC and Taiwan
“Remaining Group”	the Company and its subsidiaries excluding the Target Group
“Sale Loan”	the loan owed by the Target Group to the Vendor as at the Completion Date

DEFINITIONS

“Sale Shares”	1 share in the capital of the Target Company, representing the entire issued share capital of the Target Company
“SFO”	Securities and Future Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between the Company and the Purchaser in relation to the Leaseback Arrangement on 9 June 2017
“Target Company”	Speedy Glory Limited, a company incorporated in the BVI with limited liability and is legally owned as to 100% by the Company
“Target Group”	the Target Company and its subsidiaries
“Warranties”	the representations, warranties and undertakings given by the Vendor contained in the Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	Per cent

For identification purpose only. The Chinese names of the respective individuals and entities have been translated into English in this circular. In the event of any discrepancies between the Chinese names and the corresponding English translation, the Chinese names shall prevail.

LETTER FROM THE BOARD



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. See Ching Chuen

Mr. Yang Xi

Mr. Zou Weikang

Independent Non-Executive Director:

Mr. Yu Chon Man

Ms. Duan Baili

Mr. Zhong Weili

*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

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

11 September 2017

To the Shareholders,

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO
THE DISPOSAL AND
THE LEASEBACK ARRANGEMENT;
(2) PROPOSED RE-ELECTION OF THE DIRECTORS
AND
(3) NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcements of the Company dated 2 May 2017 and 9 June 2017 in relation to the Disposal and the Leaseback Arrangement respectively.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of the Disposal and the Leaseback Arrangement and the transactions contemplated thereunder; (ii) details of the proposed re-election of the Directors; and (iii) a notice for convening the EGM to approve the transactions and the proposed re-election of the Directors.

On 2 May 2017, (after trading hours of the Stock Exchange), the Vendor entered into the Agreement with the Purchaser, pursuant to which the Vendor have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and Sale Loan at the Consideration of HK\$180,000,000 (adjusted by the Sale Loan amount on the Completion Date). The Consideration shall be satisfied by cash. On 9 June 2017 (after trading hours of the Stock Exchange), the Vendor entered into the Supplemental Agreement with the Purchaser, pursuant to which the Vendor and the Purchaser have agreed that subject to Completion, the Purchaser shall procure Hongyuan to lease the Leased-back Production Facilities to the Vendor or their nominee(s) which is a subsidiary and/or associated company of the Group. The transactions contemplated under the Disposal and the Leaseback Arrangement constitute a major transaction of the Company under the Listing Rules.

As one of the applicable percentage ratios (as defined in the Listing Rules) calculated in accordance with Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal and the Leaseback Arrangement constitute a major transaction of the Company and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The purposes of this circular are to provide you with further details of the Disposal and the Leaseback Arrangement, including the financial and general information of the Group and the notice of EGM.

THE DISPOSAL AND THE LEASEBACK ARRANGEMENT

The principal terms of the Agreement and the Supplemental Agreement are summarised below:

THE AGREEMENT

Date

2 May 2017

Parties

- (i) Time2U International Holding Limited, as vendor; and
- (ii) Ms. Guo Junyan, as purchaser.

LETTER FROM THE BOARD

Based on the best knowledge of the Company's Directors, the Purchaser (and the respective associates) is not connected and has no relation (i.e. business, shareholdings or otherwise) with any Directors, senior management or substantial Shareholders of the Company and their respective associates.

Assets to be disposed of

Pursuant to the Agreement, the assets to be disposed of comprise the Sale Shares and the Sale Loan. The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, being the entire issued share capital of the Target Company which is legally and beneficially owned by the Vendor, free from all encumbrances and together with all rights and advantages attaching to them as at Completion. The Sale Loan represents the loan owed by the Target Group to the Vendor on the Completion Date. The amount of the Sale Loan as at 30 June 2017 was approximately RMB217,642,000 (HK\$250,711,000).

Consideration

The Consideration payable by the Purchaser to the Company for the Sale Shares shall be HK\$180,000,000. The Consideration was determined after arm's length negotiation between the Purchaser and the Company by reference to the unaudited net asset value of the Target Group as at 31 March 2017 of approximately RMB133.4 million (HK\$151.6 million) and the upward adjustments in fair value of the Target Group's property and plant of approximately RMB11.8 million (HK\$13.4 million).

As part of the Agreement between the Company and the Purchaser, the inventories and deposit and prepayment balances of the Target Group upon Completion shall be reassigned to the Remaining Group. The Directors consider this to be commercial and reasonable, as (i) the inventories would allow the Company to carry a sufficient level of raw material and work in progress to cope with the production plan in forthcoming months; and (ii) the deposit and prepayment of the Target Group mainly for the purchase of raw materials and for advertising and expansion of sales network would not only ensure a sufficient level of supply of raw materials but also allow for the continuation of the Group's plan to promote its brand images, increase the market awareness and market penetration of the brands.

As a result, the Consideration shall include the Sale Loan amount which remains after deducting the inventories and deposit and prepayment balance as appear in the completion account of the Target Group at the Completion Date.

As at 30 June 2017, the Sale Loan, after setting off the shareholder's loan of the Target Group as at 30 June 2017 against the respective inventories and deposit and prepayment of the Target Group as at 30 June 2017, was approximately RMB2,513,000 (HK\$2,895,000).

LETTER FROM THE BOARD

Taken into account of the above, the adjusted Consideration (including the Sale Shares and Sale Loan) is expected to be approximately HK\$182.9 million (subject to the final audited amount of the Sale Loan, inventories, deposit and prepayment of the Target Group as at the Completion Date). The Company expects the amount of the Sale Loan as at 30 June 2017 would be no materially different from the amount of the Sale Loan as appear in the completion account of the Target Group. Thus the Company expect the total Consideration would be no materially different from HK\$182.9 million. The Company will publish an announcement when the Consideration is finalised in accordance with the Listing Rules as and when appropriate.

Save as the aforesaid, there are no other adjustments in relation to the Consideration under the Agreement. The Consideration shall be paid in form of cash in favour of the Company or their designated nominee(s) upon Completion.

The Consideration shall be satisfied in the following manner:

- (i) the sum of HK\$40,000,000 shall be payable by cash by the Purchaser to the Company or its nominee(s) upon signing of the Agreement;
- (ii) an additional sum of HK\$40,000,000 shall be payable by cash by the Purchaser to the Company or its nominee(s) within 14 business days upon Completion; and
- (iii) the remaining balance of the Consideration of HK\$100,000,000 (or the remaining balance of the adjusted Consideration upon Completion Date, if any) shall be payable in cash by the Purchaser to the Company or its nominee(s) within 6 months after Completion.

Conditions Precedent

Completion is subject to the fulfillment of the following conditions:

- (i) the compliance by the Company of the applicable requirements of the Listing Rules, its constitutional documents and all application laws and regulations relating to the transactions contemplated under the Agreement and obtaining of its Shareholders' approval at the EGM with respect to the Disposal;
- (ii) the Purchaser having completed its due diligence review on the business, financial, legal and other aspects of the Target Company and is satisfied with the results;
- (iii) Warranties on the Target Group given by the Vendor being true and accurate in all material respects when made, and being true and accurate in all material respects on and as of the Completion Date; and
- (iv) (if necessary) all other authorisations, approvals, consents, waivers and permits which are necessary or relevant to give effect to the transactions contemplated hereunder having been granted, received or obtained and not revoked.

LETTER FROM THE BOARD

The Purchaser may in its absolute discretion at any time before Completion waive any of the Conditions Precedent under (ii), (iii) and (iv) by notice to the Vendor and such waiver may be subject to such terms and conditions as determined by the Purchaser.

The Vendor shall use its best endeavours to procure the fulfilment of the Conditions Precedent on or prior to the Long Stop Date and in particular (without limiting the generality of the foregoing) shall furnish such information and documents and provide necessary assistance as may be reasonably required by the Purchaser in respect of the Conditions Precedent under (i).

If the Conditions Precedent are not fulfilled (or waived by the Purchaser in respect of (ii), (iii) and (iv)) in accordance with the provisions of aforesaid conditions, this Agreement shall (unless otherwise agreed in writing by the Parties) terminate and the Vendor shall refund any of the Consideration received by the Vendor before to the Purchaser without interest within three (3) business days after termination, none of the Parties will have any claim against the others in respect of any matter or thing arising out of or in connection with this Agreement save for the obligations of the Vendor to refund Consideration and any antecedent breach of any obligation under this Agreement.

As at the Latest Practicable Date, conditions (ii) and (iv) as stated above had been fulfilled and condition (i) and (iii) had not yet been fulfilled.

Completion

Subject to the fulfillment (or waiver) of the Conditions Precedent set out in the Agreement, Completion shall take place on or before 30 September 2017 or such later date as may be agreed between the Vendor and the Purchaser in writing. Upon Completion, the Group will cease to hold any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

THE SUPPLEMENTAL AGREEMENT

Date

9 June 2017

Parties

- (i) Ms. Guo Junyan, as lessor; and
- (ii) Time2U International Holding Limited, as lessee.

Based on the best knowledge of the Company's Directors, the Lessor (and the respective associates) is not connected and has no relation (i.e. business, shareholdings or otherwise) with any Directors, senior management or substantial Shareholders of the Company and their respective associates.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Supplemental Agreement, the Lessor agrees to lease the Leased-back Production Facilities to the Lessee upon Completion.

The Leaseback Arrangement will be effective upon the Completion.

Consideration

The total consideration for the Leased-back 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, and shall be paid by the Lessee to the Lessor or Hongyuan by way of cash in the following manner:

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

The lease payments were determined after arm's length negotiations between the Lessor and the Company with reference to, among others, factory complexes gross floor area, location, and production capacities. The Group has compared the prevailing market price of leasing the similar factory complexes (including the gross floor area and location) and production capacities with other vendors. The Group has also compared the payment to subcontractors regarding the outsourced activities of similar watch components in similar sales production volumes. The lease payment of the lessor is not higher than those prevailing market price and the payment to vendors regarding the outsourced activities.

In view of the above, the Directors consider that the lease payments are on normal commercial terms and comparable to other leases in the market, and the transaction to be fair and reasonable and in the interest of the Company and its shareholders as a whole.

If the Lessee cannot pay the initial deposit or the lease payments on schedule, the Lessee is responsible for all the liabilities arised 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 would set-off any compensation due from the Lessee from the deposit.

LETTER FROM THE BOARD

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 of 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.

As the Lessor is only allowed to terminate the lease arrangement if the Lessee either (i) fails to pay the lease payments on time; (ii) violates clause(s) under the lease agreements; or (iii) violates a responsibility imposed by law, the Directors are of the view that risk of early termination of the Leaseback Arrangement is minimal.

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 the 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;

LETTER FROM THE BOARD

- (ii) the Lessor and/or Hongyuan has the rights 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.

Leased-back Production Facilities upon the end of the lease period

Upon the end of the lease period, 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. As at the Latest Practicable Date, the Company intends to purchase the Lease-back Production Facilities upon the end of the lease period.

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.

LETTER FROM THE BOARD

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.

INFORMATION OF THE PURCHASER

Mr. See Ching Chuen (“Mr. See”), an executive director of the Company, introduced the Purchaser to the Company. Mr. See and the Purchaser first met in activities held by a certain chamber of commerce in previous years. In April 2017, Mr. See and the Purchaser met again and the Purchaser told Mr. See that she would like to expand her own-branded watch business and manufacturing facilities and asked the possibility to acquire the Target Group. After the introduction from Mr. See, Mr. Yang Xi, the executive director of the Company led the negotiation with the Purchaser on the Disposal and the Leaseback Arrangement on behalf of the Company.

The alternative of disposing the production facilities themselves, among others, have been discussed with the Purchaser during negotiations. However, due to the below principal factors and reasons, primarily being:

- (i) Purchaser wishes to purchase the entire Target Group and the Directors’ view that the factory complex would continue to lose its value and the selling price of the Target Group would be lower if the Disposal happens later;
- (ii) Purchaser considers that acquiring the entire issued share capital of Target Group is more cost and time-effective than acquiring the factory complex;
- (iii) the Target Group’s entire factory complex, and not just the production facilities, has been incurring significant recurring fixed overhead costs and dragging down the financial results of the Group;

LETTER FROM THE BOARD

- (iv) the Directors believe the existing business of the Group will not be significantly impacted as a result of the Disposal and the Leaseback Arrangement, as the Group would still have the right to use the Leased-back Production Facilities after the Disposal and the Leaseback Arrangement; and
- (v) the Directors foresee there would be no competition of the business of the Remaining Group with the Target Group as the trademarks, patents, distributorship agreements and design personnel would remain in the Remaining Group.

It was finally agreed between the parties that the entire issued share capital of the Target Company be the subject of the Disposal. As such, the Directors consider the transaction to be normal commercial, fair and reasonable and in the interest of the Company and its shareholders as a whole.

Based on the best knowledge of the Company's Directors, the Purchaser (and the respective associates) is not connected and has no relation (i.e. business, shareholdings or otherwise) with any Directors, senior management or substantial Shareholders of the Company and their respective associates.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Group. The principal activity of the Target Company is investment holding and its subsidiaries are principally engaged in manufacturing and trading of watches, including OEM, economical and mid to high-end watches. As at the Latest Practicable Date, the primary operation of the Target Group is the manufacturing of OEM watches and economical watches at an on-demand basis. The Target Group manufactures OEM watches and economical watches primarily based on the customers' orders. Generally, distributors and customers place orders with the Group approximately two to three months in advance for OEM watches and economical watches.

The major assets of the Target Group mainly included property, plant and equipment and prepaid lease payments. Property, plant and equipment comprise of buildings, furniture and office equipment and plant and machinery used for the manufacturing of watches. The production facilities under the Target Group are utilised on an on-demand basis as sales demand of the economical watches continue to decline and incapable of producing certain components of mid to high-end watches which requires exquisite procedures and multiplex drilling technology. The unaudited net carrying value of the property, plant and equipment of the Target Group was approximately RMB72.9 million as at 30 June 2017. Prepaid lease payments represent prepayment for land use rights of a land on which the production facilities are located in the PRC. The unaudited net carrying value of the prepaid lease payments of the Target Group was approximately RMB12.7 million as at 30 June 2017.

LETTER FROM THE BOARD

The following sets forth a summary of the financial information of the Target Group for each of the two financial years ended 31 December 2015 and 2016:

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit before taxation	(316,502)	114,536
(Loss)/profit for the year	(318,324)	82,902
	As at	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	165,266	496,632

Based on the Target Group's combined financial statements for the year ended 31 December 2016, the Target Group recorded a loss before taxation for the year ended 31 December 2016 against a profit before taxation for the year ended 31 December 2015. The significant change was mainly due to (i) decrease in revenue; (ii) impairment of property, plant and equipment; and (iii) written-down of inventories.

During the year ended 31 December 2016, there had been a decline in the financial performance of the Group's economical watches and OEM watches, which was primarily due to (i) weakening of the market demand on the economical watches and OEM watches of the Group; (ii) decrease in the average selling price of the economical watches and OEM watches of the Group; and (iii) the sales returns of approximately RMB33,113,000 from customer of economical watches and OEM customers. As a result, the Group considered there was indication that the property, plant and equipment for the manufacturing and trading of watches may be impaired and carried out an impairment testing on the value of the property, plant and equipment as at 31 December 2016. The recoverable amount of the property, plant and equipment was determined based on a value-in-use calculation and the value-in-use of property, plant and equipment was estimated based on their respective discounting future cash flows to be generated from the continuing use of these assets. The value-in-use calculation, which was approved by the management and reviewed by an independent qualified valuer, was calculated based on cash flow projections according to financial budgets covering a five-year period with a pre-tax discount rate of 14.09%. Cash flows beyond five-year period have been extrapolated using a steady 3.2% growth rate. Therefore, an impairment loss of approximately RMB172,983,000 was recognised for the year ended 31 December 2016.

LETTER FROM THE BOARD

On the other hand, during the year ended 31 December 2016, due to the deterioration of the quality of the watches resulting from unsatisfactory performance on production process, certain own-branded watches were returned by the customers. Because of the deterioration of quality of the Group's watches, significant judgement and estimation by management were involved in identifying inventories with net realisable value that are lower than their cost, and obsolescence with reference to the estimated subsequent selling price. The management also considered to write-off certain inventories which did not satisfy the customers' requirement due to poor quality, resulting in sales returns, and the management determined they would be worth minimal value if they were to be resold to other customers since they were customised. As a result, a written-down of inventories amounting to approximately RMB80,945,000 was recognised.

In view of the adverse market environment of the economical watches business, the Group began to restructure its economical watches business segment, in which certain trademarks, patents, customer lists and design personnel have been reassigned to the Remaining Group in order to streamline the management of the overall business of the Group and focus more of its resources on the other business segments. Part of internal restructuring procedures have been carried out while other parts will be proceeded upon Completion. Details steps of the internal restructuring were as follow:

Employees

Starting in 2016, certain members of the design team were reassigned from the Target Group to the Remaining Group in order to centralize the design function as the Remaining Group continue to develop new lines and brands of watches. In February 2017, in view of the abundance of factory workers in the Target Group's production facilities and a need of staff in the Remaining Group's business, approximately 200 employees terminated the employment contract with the Target Group and re-entered the contracts with 惠州市聚眾恆貿易有限公司 (Huizhou City Juzhongheng Trading Co., Limited[#] ("Juzhongheng")), the wholly-owned subsidiary of the Company. As at the Latest Practicable Date, the Group has a total of approximately 477 full-time employees, majority of which are located in the PRC. As at the Latest Practicable Date, the Target Group has approximately 230 employees.

Trademarks and patents

To align with the Group's strategy to centralize its design function, the Group began to reassign certain trademarks and patents from the Target Group to the Remaining Group in 2016. In addition, the Target Group have agreed to deregister and Juzhongheng have agreed to register as owner of all remaining trademarks, design patents, and utility model that are relevant to the ordinary course of the Group's business operation upon Completion. After Completion, all the existing trademarks and patents of the Group will be registered under the Remaining Group.

LETTER FROM THE BOARD

Distributorship

Distributorship agreements are renewed with the distributors every year, with standardised terms and conditions which are in line with the Group's sales and distribution policy for the watches. As at the Latest Practicable Date, all existing distributorship agreements are entered into between the Remaining Group and distributors. Upon Completion, those distributorship agreements entered will be retained by the Remaining Group while distributorship agreements entered into between the Target Group and distributors will be terminated.

INFORMATION OF THE REMAINING GROUP

Principal lines of business

The Remaining Group has three principal lines of business operations, being (i) OEM watches business, (ii) economical watches business and (iii) mid to high-end watches business.

OEM watches business

The Group's OEM business dates back to 1994 when the Group commenced the business of manufacturing of quartz clocks, watches and related components and the Group strive to tap into the domestic market as well as the PRC market.

Under the OEM business model, the Group manufactures watches primarily based on the customers' design and specifications, and in addition, the Group often participates in the design and development of watches in accordance with the OEM customers' concepts, needs, requirements and standards. The Group also from time to time provides the OEM customers with suggested designs developed by its in-house design team. The Group is generally responsible for procuring the necessary raw materials and components in accordance with the specifications of the OEM customers, which mainly include brand owners or sourcing agents acting for brand owners.

The Group generally sells and distributes the OEM watches directly to the OEM customers, which include (i) domestic and international companies that directly purchase from the Group; and (ii) trading and sourcing companies of the OEM end-customers. The Group typically does not have long-term agreements with the OEM customers, and instead conducting the OEM business on the basis of individual purchase orders from the OEM customers. The Group recognises sales of OEM watches upon delivery.

In the future, the Group intends to expand the OEM watches business in the overseas market by procuring sales order from international brand owners. After the Disposal, the Group would continue to utilise the Leased-back Production Facilities and/or the Leased Production Facilities for manufacturing. The Directors consider the Disposal and the Leaseback Arrangement would not materially change the current manufacture mode of operation.

LETTER FROM THE BOARD

Own-branded watches business

The Group operates an integrated business model for its own-branded watches including both economical watches and mid to high-end watches. The Group controls key stages of the operation chain, including (i) product design and development; (ii) ordering process; (iii) sourcing and production; and (iv) marketing and sale.

(i) Design and development

The Company would first design the watches and have internal review among the design team. If the design is approved by the management, the Company would create prototype and introduce to distributors.

The Company considers that economical watches are principally quartz analogue watches priced economically and characterised by fashionable and trendy design, bright colours with matching cases and bracelets. The Company focus on the quantity of the economical watch production, thus the production specification of economical watches is comparatively less strict. The features of economical watches include, among others, (i) steel, alloy or plastic watch case; (ii) leather strap, alloy, steel or plastic bracelet; and (iii) quartz movements purchased in the PRC and Japan. There are various series of economical watches under different brands and sub-brand. The representative series include, among others, Color Absolute, Color Bean, Horten, Arboga, Charlotte and Vanessa. Due to relatively simple specification and characteristic, economical watches production is comparatively straightforward which requires less craftsmanship, and they are generally mass produced.

The Company places great emphasis on pairing mid to high-end watch designs with superior quality to cater the target customer preference. The production specification is comparatively stricter, in particular on the watches' appearance, and the sources of the watch components. Compared with economical watches, mid to high-end watches have more functionalities such as chronographs and date functions. The mid to high-end watches require higher-technology equipment and modern production techniques in order to design and produce high-quality and premium products. The features of mid to high-end watches include, among others, (i) stainless steel, solid white gold and iron-plated stainless steel watch case; (ii) crocodile leather strap, steel, iron-plated stainless steel bracelet; (iii) sapphire glass; (iv) small diamonds, zircon and Swarovski stones as ornaments; and (v) mechanical movements and quartz movement purchased from Japan and Switzerland. The representative series include, among others, Jonquet Luxury, Ex-Edgy, Edgy, Royal and Royal Princess. Due to relatively more complex specification, premium quality products are more labor intensive and complicated to produce which requires much more craftsmanship, and they are generally less mass produced compared to economical watches.

LETTER FROM THE BOARD

(ii) Ordering process

If the distributors would like to place orders after reviewing the prototype, they would place their orders to the Company in batches.

(iii) Sourcing and production

The Group produces the watches in-house with the capability of manufacturing watch components and assembling as well as packaging the final products. The Group either uses its own facilities to manufacture certain parts and components of the watches, or procures certain components and outsources certain production procedures to other third-party subcontractors. For example, the Group sources certain components including the movements, the hands, steel straps, the back covers and the crowns from independent third party suppliers as these components either (i) require specialised production technique or equipment that are not cost-effective for us to acquire or (ii) less important to the overall visual design and appearance. The main differences between economical watches and mid to high-end watches are their respective places of sourcing of watch components and their watch movements. The main materials of economical watches include brass, steel, alloy, leather strap steel bracelet and/or plastic bracelet. The watch movement is primarily quartz. Large extent of the materials are sourced from the PRC. And, the main materials of mid to high-end watches includes the movements, diamonds, sapphire glass, leather strip, the back covers and the crown. The watch movements are primarily quartz and mechanical. Besides sourcing from the PRC, the Group also sources from Hong Kong, Germany, Japan, Switzerland and/or other manufacturers globally to find high-quality watch components at competitive prices.

(iv) Marketing and sales

The Company promotes the watches through various marketing channels, including but not limited to outdoor advertisements, show room, exhibition and the internet, to promote its brands' images, and increase the market awareness and market penetration of the brands. The Company also has an extensive sales network through distributorship agreements with various distributors who target diversify customer segments. All of the sales are made on a wholesale basis to distributors. The distributors then resell the watches through (i) retailing to consumers at various sales points which they operate or (ii) wholesaling to their wholesale customers including third-party retailers, sub-distributors and other wholesale buyers. As at the Latest Practicable Date, there are 29 distributors engaged with the Company.

LETTER FROM THE BOARD

Economical watches business

The Group began the manufacturing and sale of own-branded watches in 2010 while some of the brands were launched between 2010 and 2012. In recent years, the Group faced intense competition in the own-branded watch industry from other companies, including those who have more experiences and financial resources as well as a wider geographic coverage than the Group. In view of this, the Group had put in much effort and spent ample amount of resources on the promotion and marketing of economical watches, including participating in the Basel Watch Fair 2016 which was held in Switzerland. However, the overall economic slowdown in the PRC and the sales returns incurred in 2016 has weakened the market demand and decreased the average selling price of the economical watches of the Group, and the sales order of the economical watches received remains unsatisfactory. The Group incurred significant fixed overhead costs of the Target Group's factory complex which has been dragging down the financial results of the Group. Therefore, the Disposal and Leaseback Arrangement represents an opportunity for the Company to lighten the factory overhead cost in order to allocate more resources to mid to high-end watches, a more profitable business segment. After the Disposal, the Group would continue to utilise the Leased-back Production Facilities and/or the Leased Production Facilities for manufacturing. The Company considers the Disposal and the Leaseback Arrangement would not materially change the current manufacture mode of operation and the Group intends to continue to manufacture the economical watches on an on-demand basis, after receiving orders, as it is no longer the principal line of the Group's operations.

Mid to high-ended watches business

The Group's mid to high-end watches business dates back to 2010. In view of (i) the growing middle-class indicating the growth opportunities abounded in the PRC; (ii) the increase of disposable income, in particular among Chinese women; and (iii) the rising women's job market participation rate, the Director believes there is a strong force behind the consumption of mid to high-end watches, and the Group has been focusing more and more on the relatively more profitable business segment. As part of its strategic development plan, the Group has been striving to collaborate with other famous brands in order to increase the brand awareness in overseas markets and thus attract potential customers. After the Disposal, the Group would continue to utilise the Leased Production Facilities for manufacturing. The Directors consider the Disposal and the Leaseback Arrangement would not materially change the mid to high-end watch business and foresee that it will eventually become the major line of the Group's operations.

LETTER FROM THE BOARD

Production facilities

The Remaining Group has leased production plants with total gross floor area of approximately 56,043 sq.m. situated in the Guangdong Province and Fujian Province, the PRC (the “Leased Production Facilities”). These Leased Production Facilities are mainly used for the manufacture of components used for watches such as dial, hands, case, crown, backcover and assembly of these watches. The Group also entered into the Supplemental Agreement to lease back the Leased-back Production Facilities, with a total gross floor area of approximately 23,993 sq.m. situated in the Fujian Province, the PRC, upon Completion.

The Leased Production Facilities and the Leased-back Production Facilities were leased from independent third parties, details of the lease arrangements are summarised as follows:

Leaseback Arrangement

(i)	Date	:	9 June 2017
	Lessor	:	Ms. Guo Junyan
	Period of the lease term	:	36 months upon Completion
	Details of the option to acquire the ownership	:	Lessee has the rights to purchase the leased assets at RMB1,000,000 at the end of the lease period
	Total consideration for the lease period	:	RMB54,000,000
	Lease payment	:	RMB1,500,000 per month
	Settlement method	:	Monthly by cheque
	Terms	:	3 years

Leased Production Facilities

(i)	Date	:	10 January 2017
	Lessor	:	寶嘉皮具有限公司 (Baojia Leather Limited Company#)
	Period of the lease term	:	16 January 2017 to 15 January 2022
	Details of the option to acquire the ownership	:	The ownership is free for transfer to the Group at the end of the lease period.
	Total consideration for the lease period	:	HK\$13,500,000
	Lease payment	:	HK\$1,350,000 per semi-annually
	Settlement method	:	Semi-annually by cheque
	Terms	:	5 years

LETTER FROM THE BOARD

(ii)	Date	:	17 January 2017
	Lessor	:	福建寧德生輝表業有限公司 (Fujian Ningde Shenghui Watel Industry Co., Limited [#])
	Period of the lease term	:	1 February 2017 to 31 January 2021
	Details of the option to acquire the ownership	:	The ownership is free for transfer to the Group at the end of the lease period.
	Total consideration for the lease period	:	HK\$22,000,000
	Lease payment	:	HK\$2,750,000 per semi-annually
	Settlement method	:	Semi-annually by cheque
	Terms	:	4 years
(iii)	Date	:	20 January 2017
	Lessor	:	福建華藝鐘表集團有限公司 (Fujian Huayi Group Co. Limited [#])
	Period of the lease term	:	1 February 2017 to 31 January 2021
	Details of the option to acquire the ownership	:	Lessee has the rights to purchase the leased assets at HKD55,000 at the end of the lease period
	Total consideration for the lease period	:	HK\$21,500,000
	Lease payment	:	HK\$2,687,500 per semi-annually
	Settlement method	:	Semi-annually by cheque
	Terms	:	4 years

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the lessor is a third party independent of each other.

The lease arrangements of the Leased Production Facilities do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5%.

LETTER FROM THE BOARD

Employees

The total number of employee of the Group upon Completion will be approximately 247. Although there will be a decrease in number of staff, it is mainly arise from the decrease in production and quality control staff, while other core functions such as management, supporting departments, design and procurement remain largely intact. The Company considers the Remaining Group would continue to be able to leverage on the remaining employees' knowledge and experience, in particular the management team and the design team as (i) the extensive business networks, relationship with the business partners, distributors and suppliers were established by the existing management team contributing a stable and steady business environment to the Company; and (ii) the past success of the product design and development capability were driven by the existing design team. The Company adds value by providing various product design and development services such as design ideas, market trend information and product enhancement for various domestic and international renowned brands. By working closely with such international brands, it has enabled the Group's design team to stay abreast of developments in the design of watches, which has in turn strengthened the Group's design and development capabilities. The Group has accumulated valuable experience and know-how in the design and development of watch products, in which the Directors believe it will continue to drive the growth of the Remaining Business.

The Directors are of the view that the Remaining Group's core business activities would not be disrupted and that there are no changes in the management and industry experience required for the Remaining Group as a result of the Disposal and the Leaseback Arrangement; instead they believe the reduction in factory workers would significantly reduce the fixed labour cost, which is the largest operating cost for the Group, significantly by approximately 51%; and in turn allowing the Group to better utilise its resources. Taking into account of the above factors, the Directors are of the view the Remaining Group has ample employees to continue to run and develop the Remaining Business.

LETTER FROM THE BOARD

Trademarks and patents

The operations of the Remaining Group are highly dependent on the adequate protection of the intellectual property rights such as brand names, trademarks, patents, technological know-how and trade secrets which can be protected by means of confidentiality arrangements and/or proper registration with government authorities. Among all the intellectual properties which the Remaining Group registered, the Directors consider that “Time2U” and “Jonquet” trademarks registered under class 14 in the principal markets to which the Group products are sold are the most important to the business and operations of the Group. Upon Completion, the Remaining Group would still be the registered owner of 47 trademarks and 17 design patents and 13 utility models that are relevant to the ordinary course of the business operations, The Directors believe the maintenance of the aforesaid intellectual property rights enforces the Group’s brand image and business reputation, which are critical factors affecting consumers’ decision to continue to purchase the Group’s watches.

Distributors

The Directors consider the Remaining Group does not engage in direct retailing of branded watches and it sells the branded watches on a wholesale basis, and the retailing of the branded watches primarily made through the extensive distributorship network of various distributors. The Group manages the distributors by way of distributorship agreements, which govern the relationships with the respective distributors. The Group does not have contractual relationships with the wholesale customers of the distributors and has no direct control over their respective distribution channels, but the Group exerts a certain degree of control over the distributors (and through the distributors, the wholesale customers) through the distributorship agreements.

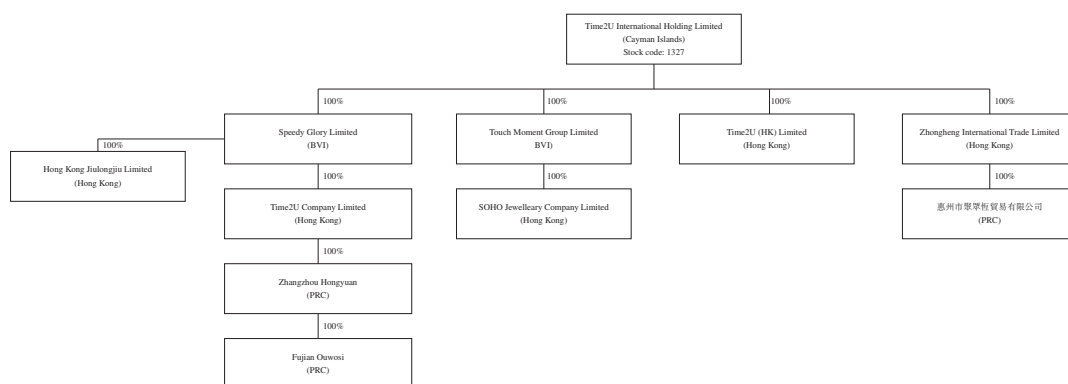
Upon Completion, the Remaining Group will continue to maintain business relationships with all 29 distributors engaged for distributing the watches. Out of 29 distributors as at the date of this submission, 15 of them had established distributorship with the Company for over 5 years and renewed the distributorship agreements with the Company every year. The other distributors mostly have relationship with the Group spanning more than 3 years. The Directors believe these well-established distributorship relationships allows the Remaining Group to continue to penetrate target markets expediently by leveraging the retail expertise, management resources, knowledge and connections of various distributors, and this proven sales strategy of the Remaining Group demonstrates the viability and sustainability of the Remaining Business.

LETTER FROM THE BOARD

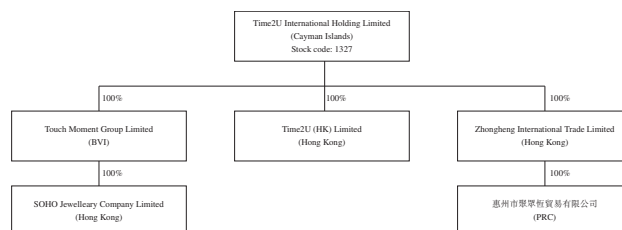
CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure of the Group before and after the Disposal:

Before disposal



After disposal



REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE LEASEBACK ARRANGEMENT

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches.

The Target Company was incorporated on 4 July 2012. In the past, the Group had put in much effort and spent ample amount of resources on the promotion and marketing of economical watches. However, the sales order of the economical watches received remains unsatisfactory. The Directors consider that the Target Group has already experienced continual loss and incurred significant operating costs. It is apparent that, due to the keen competition on the economical watches sector, sales orders of the economical watches were not sufficient to cover the cost used for the manufacturing of economical watches including but not limited to the cost of maintaining the factory complexes and plant and machineries, direct labour cost and manufacturing overheads.

LETTER FROM THE BOARD

The Directors consider that the Disposal and the Leaseback Arrangement represent an opportunity for the Company (i) to re-allocate the resources to design, research and development of the mid to high-end watches; (ii) to realise cash for improving its liquidity and strengthening the overall financial positions; (iii) to unlock the value in its investment in property, plant and equipment at fair value; and (iv) to lighten the factory overhead cost.

(i) To re-allocate the resources to design, research and development of the mid to high-end watches

As part of the plan upon Completion, the Group intends to reassign (i) certain members of the Group's design team from the Target Group to the Remaining Group, and (ii) certain trademarks and patents from the Target Group to the Remaining Group to align with the Group's strategy to centralise its design function. Also, part of the proceeds from the Disposal is expected to be used for leasing the production facilities for manufacturing mid to high-end watches. For further details, please refer to the section headed "USE OF PROCEEDS". As a result, the Directors are of the view that the Disposal and the Leaseback Arrangement enable the Group to re-allocate resources to design, research and development of the mid to high-end watches business of the Group.

(ii) To realise cash for improving the Company's liquidity and strengthening the overall financial positions

The proceeds (net of expenses) from the Disposal and the Leaseback Arrangement are estimated to be approximately RMB157,872,000. Upon Completion, the overall financial positions of the Company will be strengthened in which the net current assets of the Company is expected to be increased from approximately RMB446,928,000 as at 30 June 2017 to approximately RMB567,482,000 and the current ratio of the Company is expected to be increased from 7.4 as at 30 June 2017 to 13.7.

(iii) To unlock the value in the Company's investment in property, plant and equipment at fair value

As a result of the overall economic slowdown in the PRC and the continual weakening of the market demand on the economical watches and OEM watches, the Directors consider the factory complexes which manufacturing the economical watches and OEM watches would continue to lose its value and the selling price of the Target Group would be lower if the Disposal and the Leaseback Arrangement happens later. As at 30 June 2017, the carrying amount of the property and plant of the Target Group was approximately RMB43,630,000. The Disposal would enable the Group to unlock upward adjustments in fair value of the Target Group's property and plant of approximately RMB12,570,000. The Directors consider realising a desirable proceed at this moment from the Disposal is beneficial to the Group.

LETTER FROM THE BOARD

(iv) To lighten the factory overhead cost

The Target Group had experienced continual loss in the previous year and operating costs of the Target Group were approximately RMB9,297,000 per month. The Directors consider it is apparent that, due to the keen competition on the economical watches sector, sales orders of the economical watches were not sufficient to cover the cost used for the manufacturing of economical watches. Therefore the Disposal and the Leaseback Arrangement provide a good opportunity for the Group to reduce its fixed costs. Upon Completion, the Company expects to incur operating costs (including the lease payments for the Leased-back Production Facilities) amounting to approximately RMB4,324,000 per month, resulting in a saving of approximately RMB4,973,000 per month.

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

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

- (i) the Directors believe the business of the Group will not be significantly impacted as a result of the Disposal and the Leaseback Arrangement, as the contribution in revenue from economical watches business has been declining in recent years and the Group would maintain the appropriate rights over the Leased-back Production Facilities after the Disposal and the Leaseback Arrangement;
- (ii) the Directors are optimistic about the future business of the Group, however the Directors are of the view the significant recurring fixed overhead costs of the Target Group's factory complex has been dragging down the financial results of the Group;

LETTER FROM THE BOARD

- (iii) the Directors consider the existing production facilities of the Target Group are incapable of producing the components required for premium quality products as the compound components and ornaments for mid to high-end watch and watch movements, such as solid white gold and ionic-plated stainless steel watch case, crocodile leather strap, steel, ionic-plated stainless steel bracelet, sapphire glass, small diamonds, zircon and Swarovski stones require more advanced machineries for production; and
- (iv) the Directors are in particular of the view that the factory complexes would continue to lose its value and the selling price of the Target Group would be lower if the Disposal and the Leaseback Arrangement happen later. Thus, the Directors consider realising a desirable proceeds at this moment from the Disposal and the Leaseback Arrangement is beneficial to the Group,

the Directors consider that the terms of the Disposal and the Leaseback Arrangement contemplated thereunder are on normal commercial terms and arrived at after arm's length negotiations between the parties thereto. In view of the above, the Directors consider the Disposal and the Leaseback Arrangement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The proceeds from the Disposal, net of expenses directly attributable thereto, are estimated to be approximately RMB157,872,000 (HK\$179,400,000). The Group intends to use such net proceeds as follows:

- (i) as to approximately RMB110,800,000 (representing approximately 70% of the total amount of the net proceeds) for the expansion of the mid to high-end watches production and sustaining the Group's business and operational activities including but not limited to the operating costs, in which (a) approximately RMB70,000,000 will be used for the settlement of lease payments for the Leased Production Facilities and Leased-back Production Facilities of which approximately RMB6,000,000 will be payable up to December 2017, approximately RMB29,946,000 will be payable in 2018, approximately RMB29,946,000 will be payable in 2019, approximately RMB23,946,000 will be payable in 2020 and approximately RMB7,161,000 will be payable in 2021. The remaining lease payments of approximately RMB26,999,000 will be settled by internal resources generated by operations; (b) approximately RMB30,000,000 will be used for purchasing raw materials for production of mid to high-end watches such as diamonds, tourbillons, sapphire crystals and leather straps; and (c) approximately RMB10,800,000 will be used for expansion of existing sales network such as organising and inviting potential international distributors to attend the Group's press conferences and pay visits to production plants to showcase the Group's newest product offerings and production capabilities;

LETTER FROM THE BOARD

- (ii) as to approximately RMB17,000,000 (representing approximately 11% of the total amount of the net proceeds), of which approximately RMB15,000,000 shall be used for the purchase of technologically advanced machines and equipment, such as computer numerical control machines, and the leasing of additional technologically advanced production facilities to enhance the Group's production capacities, when needed, and approximately RMB2,000,000 shall be used for the recruitment of relevant design engineers. As at the Latest Practicable Date, the Company has not yet entered into any contract or identified any vendors for the purchase of the machines and equipment;
- (iii) as to approximately RMB10,000,000 (representing approximately 6% of the total amount of the net proceeds) for promotion and marketing activities on the Group's new mid to high-end watches, such as the new diamond tourbillon watch, by, among others, the following activities (a) participating in the Hong Kong Watch & Clock Fair and the Hong Kong Jewellery & GEM Fair held annually; and (b) advertisement in different media channels, such as outdoor advertising and magazine, of which approximately RMB2,000,000 is expected to be utilized in 2017 and approximately RMB8,000,000 is expected to be utilized in 2018; and
- (iv) as to approximately RMB20,072,000 (representing approximately 13% of the total amount of the net proceeds) for general working capital including but not limited to approximately RMB6,000,000 for payment of salaries, approximately RMB5,000,000 for selling expenses, approximately RMB5,000,000 for settlement of accounts payable.

FINANCIAL EFFECTS OF THE DISPOSAL AND THE LEASEBACK ARRANGEMENT

Upon Completion, the consolidated total assets of the Company will be increased by approximately RMB55,686,000 (HK\$64,147,000) and the consolidated total liabilities of the Company will be decreased by approximately RMB103,000 (HK\$119,000).

It is anticipated that the Group would realise a gain on Disposal of approximately RMB55,789,000 (HK\$63,181,000) (net of transaction costs and professional fees), representing the difference between (i) the Consideration (net of transaction costs and professional fees); and (ii) the unaudited net carrying value of the Target Group of approximately RMB104,596,000 (HK\$120,488,000) as at 30 June 2017.

Shareholders and investors should note that the actual gain on the Disposal is dependent upon the audited net carrying value of the Target Group as at the Completion Date and will be different from the amount calculated above. Shareholders and investors should also note that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the actual gain on the Disposal of the Group will be upon Completion. The lease payments and other relevant costs of approximately RMB54,000,000 (HK\$61,374,000) would be charged over the lease period.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

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 are 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.

EGM

A notice of the EGM to be held at the office of the Company at Portion 2, 12/F, The Center, 99 Queen's Road Central, Hong Kong on Tuesday, 26 September 2017 at 10:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular, for the Shareholders to consider and, if thought fit, to approve the Disposal and the Leaseback Arrangement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and the Leaseback Arrangement and the transactions contemplated thereunder. Therefore, no Shareholder is required to abstain from voting in relation to the resolution to be proposed for approving the Disposal and the Leaseback Arrangement and the transactions contemplated thereunder.

RECOMMENDATIONS

The Directors are of the opinion that the Disposal and the Leaseback Arrangement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed in the EGM.

FURTHER INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three financial years ended 31 December 2014, 2015 and 2016 are disclosed in the following annual reports of the Company which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://en.time2u.com>):

- annual report of the Company for the year ended 31 December 2014 published on 29 April 2015 (pages 30 to 92) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429630.pdf>);
- annual report of the Company for the year ended 31 December 2015 published on 29 April 2016 (pages 34 to 100) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0429/LTN20160429715.pdf>);
- annual report of the Company for the year ended 31 December 2016 published on 27 April 2017 (pages 51 to 114) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704272678.pdf>);
- interim result announcement of the Company for the six months ended 30 June 2017 published on 31 August 2017 (pages 1 to 21) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0831/LTN201708311315.pdf>)

There was no qualified opinion issued for the audited consolidated financial statements of the Group for the three financial years ended 31 December 2014, 2015 and 2016.

2. INDEBTEDNESS STATEMENT

At the close of business on 31 July 2017, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement of the Group, the Group had outstanding secured bank borrowings of approximately RMB30.5 million. The secured bank borrowings were secured by (i) personal guarantee by the former Director of the Company, Mr. Lin who resigned on 20 October 2016; (ii) pledge of the Target Group's leasehold land with carrying amount of approximately RMB12.7 million; and (iii) pledge of the Target Group's building with carrying amount of approximately RMB30.6 million. The aforesaid bank borrowings were owed by the Target Group, and the Remaining Group will not have any bank borrowings and/or mortgage upon Completion.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, the Group did not have any borrowings (including bank overdrafts, liabilities under acceptances other than normal trade bills, acceptance credits and finance lease commitments), debt securities, mortgages and charges, loan capital and contingent liabilities or guarantees at the close of business on 31 July 2017.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account the present available banking facilities, the internal resources of the Group, the Consideration expected to be received and in the absence of the unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements were made up, and including the Latest Practicable Date, except:-

- (i) as disclosed in the profit warning announcement of the Company dated 5 July 2017, due to the increase in realised and unrealised loss on financial assets at fair value through profit or loss, the Group recorded a substantial net loss for the six months ended 30 June 2017 as compared with the corresponding period in 2016.

5. FINANCIAL AND TRADING PROSPECTS

The principal business objective of the Group is to become one of the leading fashion watch brand owners internationally. Going forward, the Group aims to further strengthen its established market position and competitiveness not only in the PRC, but also globally. The Group has three principal lines of business operations, mainly being (i) OEM watches business, (ii) economical watches business and (iii) mid to high-end watches business.

The Group intends to expand the OEM watches business in the overseas market by procuring sales order from international brand owners. The Directors consider the OEM business is experiencing stable development in the global watches market.

In the past, the Group had faced intense competition in the economical watch industry from other companies. In view of this, the Group had put in much effort and spent ample amount of resources on the promotion and marketing of economical watches. However, the sales order of the economical watches received remains unsatisfactory, which had been dragging down the financial results of the Group. The Company intends to manufacture the economical watches on an on-demand basis.

The Directors believe there is a strong force behind the consumption of mid to high-end watches and they foresee that the mid to high-ended watches business will eventually become the major line of the Group's operations. The Group intends to continue to focus on the expansion of the mid to high-end watches domestically and internationally in the forthcoming years. The Company has not entered and has not proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed or implied, and negotiated (whether concluded or not) with an intention to dispose of or downsize the business of the Group, and/or acquire other companies/businesses as at the Latest Practicable Date.

The Group aims to achieve aforesaid objectives by (i) further expanding of its existing branded and OEM watches business operation domestically and internationally by intensifying the marketing activities to promote the brand awareness of the Group's brands; (ii) procuring production facilities to enhance the production efficiency and capacities; (iii) strengthening core competitiveness by improving the watch design and development capabilities through enhancing the design knowledge of existing design team and recruiting of additional talents; and (iv) expanding of sales network and marketing activities in PRC. The Directors believe the strategies can maximise the interest of the Group and the Shareholders.

The Directors are of the view that as a result of:

- (i) the reduction in fixed overhead costs (including but not limited to the cost of maintaining the factory complexes and plant and machineries, direct labour cost and manufacturing overheads) in future months upon Completion;
- (ii) the continual development of aforesaid existing business segments; and
- (iii) as at the Latest Practicable Date, the Company has received certain sales orders and/or backlog orders which are translated or expected to translate into revenue of the Group. For examples, the Company has entered into the memorandum of understanding with Memorigin Watch Company Limited ("Memorigin") as announced on 9 June 2017 and received certain sales order of the tourbillion watches under "Memorigin x Jonquet". The Company expects the business relationship with Memorigin to last for at least three years. The Directors expect the sales volume for the tourbillion watches to increase after launch,

the Group will be able to turnaround from the current loss-marking positing in the near-future.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from International Valuation Limited, an independent valuer, in connection with its valuation as at 30 June 2017 of the property interests of the Group.



International Valuation Limited
國際評估有限公司

Room 1203A, 12/F.
Kai Tak Commercial Building
317-319 Des Voeux Road Central
Hong Kong Tel: (852) 2348 1777
Email: team@ivl.hk

Date: 11 September 2017

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

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions for us to value various properties in which Time2U International Holding Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 June 2017.

This letter which forms part of our valuation explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s – length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

In valuing the property interests of the property, we have adopted depreciated replacement cost approach by a combination of the open market value of land portions and depreciated replacement cost of the buildings and structures standing on the land. Hence, the sum of the two results represents the value of the properties as a whole. In the valuation of the land portions, reference has been made to the sales transactions as available in the subject localities.

As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnished the most reliable indication of value for the property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

In undertaking our valuation, we have assumed that, unless otherwise stated, transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any outstanding or additional land premium, charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificates attached herewith.

TITLE INVESTIGATION

We have been, in some instances, shown copies of various title documents and other documents relating to the property interests and have made relevant enquiries. We have not examined the original documents to verify the existing title to the property interests and any material encumbrances that might be attached to the property interests or any lease amendments. However, we have relied considerably on the information given by the Company's PRC legal adviser, Global Law Office (北京市環球(深圳)律師事務所), concerning the validity of the Group's title to the property interests located in the PRC.

All legal documents provided by the Group have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation certificate.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the properties but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

The site inspection of the property was carried out on 4 April 2017 by Mr. Ian Ng, who is registered professional surveyor.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Liability in connection with this valuation is limited to the client to whom this valuation is addressed and for the purpose for which it is carried out only. We will accept no liability to any other parties or any other purposes.

This valuation is to be used only for the purpose stated herein, any use or reliance for any other purpose, by you or third parties, is invalid. No reference to our name or our valuation in whole or in part, in any document you prepare and/or distribute to third parties may be made without written consent.

EXCHANGE RATE

Unless otherwise stated, all monetary amounts stated in this valuation are in Renminbi (RMB).

Our summary of values and valuation certificates are herewith attached.

Yours faithfully,
For and on behalf of
International Valuation Limited

Ian Ng
MHKIS RPS(GP)
General Manager – Real Estate

Mr. Ian Ng is a Registered Professional Surveyor with over 10 years' experience in valuation of properties in HKSAR, Macau SAR and mainland China. Mr. Ng is a Professional Member of The Hong Kong Institute of Surveyors.

SUMMARY OF VALUES

Property	Market Value in Existing State as at 30 June 2017 RMB
Property interests held and occupied by the Group in the PRC	
1 A parcel of land (Lot No. 4079011-2) and buildings located on Jinma Road, Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC	25,700,000
2 A parcel of land (Lot No. 4079075) located on Jinhua Road, Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC	30,500,000
	<hr/>
Total:	<u><u>56,200,000</u></u>

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

	Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 30 June 2017
1	<p>A parcel of land (Lot No. 4079011-2) and buildings located on Jinma Road, Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC</p> <p>(位於中國福建省漳州市薌城區金峰工業區金馬路之土地(地號4079011-2)和房屋)</p>	<p>The property comprises a parcel of land with an area of approximately 24,041.2 sq.m. erected upon various buildings and ancillary structures completed in 2004.</p> <p>The total gross floor area of the buildings is approximately 18,921.94 sq.m. and the buildings comprise a 3-storey industrial building, a 4-storey composite building, a single-storey workshop building, two single-storey guard houses and a 2-storey transformer room.</p> <p>The property is situated on Jinma Road at its junction with Jinmin Road in Jinfeng Industrial Zone in Xiangcheng District. Developments in the vicinity are mainly industrial developments.</p> <p>The land use rights of the property were granted for a term expiring on 5 April 2054 for industrial use.</p>	<p>The property is currently occupied by the Group for industrial use.</p>	<p>RMB25,700,000</p> <p>(Renminbi Twenty Five Million Seven Hundred Thousand)</p>

Notes:

- Pursuant to a Stated-owned Land Use Rights Certificate – Zhang Xiang Guo Yong (2004) Zi Di No.00022 (漳薌國用(2004)字第00022號) issued by Zhangzhou City Bureau of Land and Resources (漳州市國土資源局) dated 30 April 2004, the land use rights of a parcel of land with a site area of approximately 24,041.2 sq.m. were granted to Zhangzhou Hongyuan Watch Co., Ltd. (漳州宏源錶業有限公司) for a term expiring on 5 April 2054 for industrial use.
- Pursuant to a Building Ownership Certificate – Zhang Fang Quan Zheng Xiang Zi Di No. 01068843 (漳房權證薌字第01068843號) issued by Zhangzhou City Bureau of Real Estate Administration (漳州市房地產管理局) dated 20 March 2008, the building ownership rights of a 3-storey industrial building with a gross floor area of approximately 10,004.89 sq.m. are owned by Zhangzhou Hongyuan Watch Co., Ltd.

- (3) Pursuant to a Building Ownership Certificate – Zhang Fang Quan Zheng Xiang Zi Di No. 01068844 (漳房權證蕪字第01068844號) issued by Zhangzhou City Bureau of Real Estate Administration dated 20 March 2008, the building ownership rights of a 4-storey composite building with a gross floor area of approximately 7,756.05 sq.m. are owned by Zhangzhou Hongyuan Watch Co., Ltd.
- (4) Zhangzhou Hongyuan Watch Co., Ltd. is a wholly-owned subsidiary of the Company.
- (5) During our site inspection, we noted that the single-storey workshop building, the two single-storey guard houses and the 2-storey transformer room were erected on the subject land. We have attributed no commercial value to these buildings as the building ownership certificate has not yet obtained. As advised, the total gross floor area of these buildings is approximately 1,161 sq.m.
- (6) The major certificates and permits of the property are summarized as follows:
- | | | |
|------|---|-----|
| (i) | State-owned Land Use Rights Certificate | Yes |
| (ii) | Building Ownership Certificate | Yes |
- (7) We are instructed by the Company to value the property as at 31 March 2017. The market value of the property, as at 31 March 2017, was RMB25,700,000.
- (8) In the course of our valuation, we have assumed that Zhangzhou Hongyuan Watch Co., Ltd. is entitled to dispose of the property in the market.
- (9) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:
- | | |
|------|---|
| (i) | Zhangzhou Hongyuan Watch Co., Ltd. legally owns the property; and |
| (ii) | The property is subject to a mortgage in favour of Industrial Bank Co., Ltd. Zhangzhou Branch (興業銀行股份有限公司漳州分行). |

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Market Value in Existing State as at 30 June 2017	
2	<p>A parcel of land (Lot No. 4079075) located on Jinhua Road, Jinfeng Industrial Zone, Xiangcheng District, Zhangzhou City, Fujian Province, the PRC</p> <p>(位於中國福建省漳州市薌城區金峰經濟開發區金華路之土地(地號4079075)和房屋)</p>	<p>The property comprises a parcel of land with an area of approximately 33,486.3 sq.m. erected upon various buildings and ancillary structures completed in 2009.</p> <p>The gross floor area of the buildings is approximately 17,869.44 sq.m. The buildings comprise a 4-storey industrial building, a single-storey workshop building and a 2-storey transformer room.</p> <p>The property is situated on Jinhua Road in Jinfeng Industrial Zone in Xiangcheng District. Developments in the vicinity are mainly industrial developments.</p> <p>The land use rights of the property were granted for a term expiring on 8 April 2057 for industrial use.</p>	<p>The property is currently occupied by the Group for industrial use.</p>	<p>RMB30,500,000</p> <p>(Renminbi Thirty Million Five Hundred Thousand)</p>

Notes:

- (1) Pursuant to a Stated-owned Land Use Rights Certificate – Zhang Xiang Guo Yong (2007) Zi Di No.00163 (漳薌國用(2007)字第00163號) issued by Zhangzhou City Bureau of Land and Resources dated 29 December 2007, the land use rights of a parcel of land with a site area of approximately 33,486.3 sq.m. were granted to Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. (福建省歐沃斯鐘錶精密技術有限公司) for a term expiring on 8 April 2057 for industrial use.
- (2) Pursuant to a Building Ownership Certificate – Zhang Fang Quan Zheng Xiang Zi Di No. 01086587 (漳房權證薌字第01086587號) issued by Zhangzhou City Bureau of Real Estate Administration dated 29 December 2007, the building ownership rights of a 4-storey industrial building with a gross floor area of approximately 17,672.44 sq. m. are owned by Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd.
- (3) Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. is a wholly-owned subsidiary of the Company.
- (4) During our site inspection, we noted that the single-storey workshop building and the 2-storey transformer room were erected on the subject land. We have attributed no commercial value to these buildings as the building ownership certificate has not yet obtained. As advised, the total gross floor area of these buildings is approximately 197 sq.m.

- (5) The major certificates and permits of the property are summarized as follows:
- | | | |
|------|---|-----|
| (i) | State-owned Land Use Rights Certificate | Yes |
| (ii) | Building Ownership Certificate | Yes |
- (6) We are instructed by the Company to value the property as at 31 March 2017. The market value of the property, as at 31 March 2017, was RMB30,500,000.
- (7) In the course of our valuation, we have assumed that Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. is entitled to dispose of the property in the market.
- (8) We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:
- (i) Fujian Ouwosi Watch & Clock Precise Technology Co., Ltd. legally owns the property; and
 - (ii) The property is subject to a mortgage in favour of Agricultural Bank of China Co., Ltd. Zhangzhou Xiangjiang Branch (中國農業銀行股份有限公司漳州薌江支行).

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.

2. DISCLOSURE OF INTERESTS**(i) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company**

As at the Latest Practicable Date, none of the Directors or chief executive had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 at the Part XV of the SFO; or interest or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the model code of practice for securities dealings by Directors and relevant employees on terms no less exacting than the required standard of dealings.

(ii) Directors' service contracts

All executive Directors have not been appointed for any fixed term but shall be subject to retirement by rotation in accordance with the articles of association.

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 month's 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 proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

(iii) Interests in the Group's assets, contracts or arrangement significant to the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which has been entered into by the Company or any member of the Group that is subsisting at the date of this circular and is significant in relation to the business of the Group.

(iv) Substantial Shareholders' interests and short positions in the Shares and underlying shares of the Company

As at the Latest Practicable Date, the following persons had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in issued ordinary shares of the Company

Name of Shareholders	Number of issued ordinary shares/underlying Shares of the Company				Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Total	
Mr. Lin Zhiqiang ("Mr. Lin")					
- Ordinary shares in issue	-	-	354,367,000 (Note b)	354,367,000	
- Unlisted share options	800,000	800,000 (Note a)	-	1,600,000	
	<u>800,000</u>	<u>800,000</u>	<u>354,367,000</u>	<u>355,967,000</u>	<u>10.30%</u>
Ms. Yan Xiaotong ("Ms. Yan")					
- Ordinary shares in issue	-	-	354,367,000 (Note b)	354,367,000	
- Unlisted share options	800,000	800,000 (Note c)	-	1,600,000	
	<u>800,000</u>	<u>800,000</u>	<u>354,367,000</u>	<u>355,967,000</u>	<u>10.30%</u>

Notes:

- (a) The family interests of 800,000 share options represent the interest of the wife of Mr. Lin.
- (b) These shares are held by Visual Wise Limited (“Visual Wise”), which is owned as to 62% by Mr. Lin, an executive Director, chief executive officer, chairman in the last 10 months of the Company, and 38% by Ms. Yan. Ms. Yan is the spouse of Mr. Lin and they are deemed to have interest in the Shares in which his/her spouse is interested in.
- (c) The family interests of 800,000 share options represent the interest of the husband of Ms. Yan.

As at the Latest Practicable Date, the Directors and chief executives of the Company were not aware of any person (other than the substantial Shareholders disclosed above) who had an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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.

(v) Directors’ interests in competing business

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates was interested in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. EXPERT’S QUALIFICATIONS AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular.

Name	Qualification
International Valuation Limited	Independent professional property valuer

The expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or valuation report and the references to its name in the form and context in which it appear.

As at the Latest Practicable Date, the expert was not beneficially interested in any direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any members of the Group, or any interests, directly or indirectly, in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up.

5. 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 two years immediately preceding the date of this circular which are or may be material:

- (i) the Supplemental Agreement;
- (ii) the Agreement;
- (iii) the underwriting agreement dated 11 May 2016 entered into between the Company and China Prospect Securities Limited in relation to the underwriting arrangement in respect of the rights issue on the basis of two (2) rights shares for every one (1) existing share; and
- (iv) 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.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 21E, YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong for the date of this circular up to and including the date of the EGM:

- (i) the memorandum of association of the Company;
- (ii) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016;
- (iii) the material contracts referred to in the paragraph under the heading “Material Contracts” in this appendix;
- (iv) the valuation certificate and report of the property included in Appendix II to this circular;

- (v) the written consent referred to under the section headed “Experts’ Qualifications and Consent” in this Appendix; and
- (vi) this circular.

7. MISCELLANEOUS

- (i) The registered office of the Company is at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands;
- (ii) The principal place of business of the Company in Hong Kong is at 21E, YHC Tower, 1 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong;
- (iii) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited which is situated at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands;
- (iv) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited which is situated at Level 22, Hopewell Centre 183 Queen’s Road East Hong Kong;
- (v) As at the date of this circular, the Board comprises three executive Directors being Mr. See Ching Chuen, Mr. Yang Xi and Mr. Zou Weikang; and three independent non-executive Directors, being Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili;
- (vi) The Company secretary of the Company is Mr. Lai Nga Ming, Edmund, a member of the Hong Kong Institute of Certified Public Accountants; and
- (vii) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

The detail of the Directors proposed to be re-elected at the EGM (as required by the Listing Rules) are set out as follows:

Ms. Duan Baili (段白麗女士) (“Ms. Duan”), aged 28, is an independent non-executive director. She has over 7 years experience in marketing and manufacturing in precision component industry. She currently serves as an assistant of general manager of a manufacturing company in the People’s Republic of China. She is familiar with the operations of the manufacture and marketing of precision components and has thorough knowledge of precision components and the precision component industry. Based on Ms. Duan’s extensive knowledge and experience in manufacturing industry, the Board considered that Ms. Duan is able to oversee the Group with independent perspective and judgement.

Ms. Duan is responsible for participating in board meetings to review, monitor and provide independent judgment on the Group’s performance (including but not limited to financial performance, strategy, corporate goals, etc.) by using her experience and knowledge. Besides, she also has been appointed as member of remuneration committee, audit committee and nomination committee to serve the Group. For duties of members of those respective committees, please refer to the terms of reference of those committees announced by the Company on 29 January 2015.

The Company has entered into an appointment letter with Ms. Duan which sets out the key terms and she is subject to retirement by rotation and re-election in accordance with the Company’s articles of association. Her emoluments comprise a director’s fee to be proposed by the Board with authorization from time to time given by the shareholders of the Company in general meeting. Her emoluments are determined by reference to her duties and responsibilities with the Company and the Company’s remuneration policy and after considering the market emoluments for directors of other listed companies. It is expected that Ms. Duan will be granted a director’s fee of HK\$120,000 per annum.

Saved as disclosed above, (i) Ms. Duan does not have any other relationship with any directors, senior management, substantial or controlling shareholders of the Company; (ii) she does not have any other interest in the shares or underlying shares of the Company within the meaning of Part XV of the SFO; (iii) she does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) she does not hold other positions with the Company and its subsidiaries.

Mr. Zhong Weili (鍾維立先生), aged 45, is an independent non-executive director. He has over 20 years experiences of administration and management in asset appraisal industry, of which 4 years working in state owned assets management bureau of Meizhou city of Guangdong Province. He is currently an office director of an asset appraisal company in The People's Republic of China, which engaged in corporate valuation and assets valuation (including but not limited to property, machinery and intangible assets).

Mr. Zhong is responsible for participating in board meetings to review, monitor and provide independent judgment on the Group's performance (including but not limited to financial performance, strategy, corporate goals, etc.) by using his experience and knowledge. Besides, he also has been appointed as member of remuneration committee, audit committee and nomination committee to serve the Group. For duties of members of those respective committees, please refer to the terms of reference of those committees announced by the Company on 29 January 2015.

The Company has entered into a letter of appointment with Mr. Zhong on 5 September 2017 with a fixed term of one year of service of the Company and he is subject to retirement by rotation and re-election in accordance with the Company's articles of association. His emoluments comprise a director's fee to be proposed by the Board with authorization from time to time given by the shareholders of the Company in general meeting. His emoluments are determined by reference to his duties and responsibilities with the Company and the Company's remuneration policy and after considering the market emoluments for directors of other listed companies. Mr. Zhong will be entitled to receive a director's fee of HK\$120,000 per annum.

Saved as disclosed above, (i) Mr. Zhong does not have any other relationship with any directors, senior management, substantial or controlling shareholders of the Company; (ii) he does not have any other interest in the shares or underlying shares of the Company within the meaning of Part XV of the SFO; (iii) he does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) he does not hold other positions with the Company and its subsidiaries.

Saved as disclosed above, there is no information in relation to the proposed re-election of the aforesaid retiring Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

NOTICE OF EGM



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 Portion 2, 12/F, The Center, 99 Queen’s Road Central, Hong Kong on Tuesday, 26 September 2017, at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTION

Resolution in relation to the Disposal and the Leaseback Arrangement

“THAT:

- (a) the agreement dated on 2 May 2017 (the “Agreement”) entered into between the Company and the Purchaser, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares and Sale Loan at the Consideration of HK\$180,000,000 (adjusted by the Sale Loan amount on the Completion Date) and the supplemental agreement dated 9 June 2017 (the “Supplemental Agreement”) entered into between the Purchaser and the Company, pursuant to which the Purchaser agrees to lease the Leased-back Production Facilities to the Company upon Completion and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the Directors of the Company be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as he/she/they may consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with the Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

Resolution in relation to the Proposed Re-election of the Directors

“THAT:

- (a) Ms. Duan Baili be re-elected as an Independent Non-Executive Director; and
- (b) Mr. Zhong Weili be re-elected as an Independent Non-Executive Director.”

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

Hong Kong, 11 September 2017

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

As at the date of this notice, the Board comprises three executive Directors being Mr. See Ching Chuen, Mr. Yang Xi and Mr. Zou Weikang; and three independent non-executive Directors, being Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili.