

Yu Tak International Holdings Limited

御德國際控股有限公司

(formerly known as Hong Kong Jewellery Holding Limited)

(Incorporated in Bermuda with limited liability)

Stock Code: 8048

Third Quarterly Report
2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Hong Kong Jewellery Holding Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM 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 report is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this report misleading.

THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2016

The Directors of the Company present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2016 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue	3	27,573	27,524	76,465	124,921
Other income		928	2,024	2,695	8,201
Change in inventories		(1,195)	(4,117)	(4,154)	19,214
Purchase of goods		(5,631)	(912)	(11,405)	(44,763)
Professional fee		(6,793)	(4,678)	(13,877)	(12,788)
Employee benefits expenses		(20,465)	(18,501)	(62,216)	(90,989)
Depreciation and amortisation		(620)	(1,165)	(1,599)	(3,433)
Other expenses		(3,645)	(5,139)	(15,723)	(24,975)
Finance costs	4	–	(93)	(176)	(279)
Share of post-tax result of an associate		(782)	(2,746)	(1,045)	(3,668)
Loss of control of a subsidiary		–	–	–	(258)
Loss before income tax		(10,630)	(7,803)	(31,035)	(28,817)
Income tax expense	5	(44)	(22)	(313)	(148)
Loss for the period		(10,674)	(7,825)	(31,348)	(28,965)
Other comprehensive income for the period, net of tax					
Exchange loss on translation of financial statements of foreign operations		(589)	(4,246)	(578)	(4,246)
Total comprehensive loss for the period		(11,263)	(12,071)	(31,926)	(33,211)

	<i>Notes</i>	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the period					
attributable to:					
Owners of the Company		(9,907)	(7,445)	(28,447)	(26,269)
Non-controlling interests		(767)	(380)	(2,901)	(2,696)
		<u>(10,674)</u>	<u>(7,825)</u>	<u>(31,348)</u>	<u>(28,965)</u>
Total comprehensive loss					
attributable to:					
Owners of the Company		(10,500)	(11,453)	(29,029)	(30,277)
Non-controlling interests		(763)	(618)	(2,897)	(2,934)
		<u>(11,263)</u>	<u>(12,071)</u>	<u>(31,926)</u>	<u>(33,211)</u>
Loss per share for the loss					
attributable to the owners of					
the Company during the period					
– Basic and diluted					
(in HK cents)	6	<u>(0.83) cents</u>	<u>(0.63) cents</u>	<u>(2.39) cents</u>	<u>(2.21) cents</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION

Yu Tak International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and Application Service Provider (“ASP”) services, design and sales of gold and jewellery products and investment holding. The Group’s operations are based in Hong Kong and the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”). The accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2015.

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale financial assets and financial assets at fair value through profit or loss which are stated at fair values.

3. REVENUE AND TURNOVER

Revenue from external customers from the Group's principal activities recognized during the period is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Sales of gold and jewellery products	2,555	5,146	11,818	21,665
Enterprise software products	11,909	11,627	31,519	66,324
Systems integration	4,106	–	5,095	5,053
Professional services	9,003	10,751	28,033	31,879
Total revenue	27,573	27,524	76,465	124,921

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Interest charges on:				
Other interest expense, wholly repayable within five years	–	93	176	279
	–	93	176	279

5. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods or their estimated assessable profits for the respective periods were wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation on overseas profits has been calculated on the estimated assessable profits for the respective periods at the rates prevailing in the countries in which the Group operates.

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Overseas				
Tax for the period	(44)	(22)	(313)	(148)
Total income tax expense	(44)	(22)	(313)	(148)

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the nine months ended 30 September 2016 is based on the loss attributable to owners of the Company of HK\$28,447,000 (2015: HK\$26,269,000) and the weighted average number of ordinary shares of 1,188,460,000 (2015: 1,188,460,000) in issue during the period.

Diluted loss per share for the nine months ended 30 September 2016 and 2015 equates the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the period ended 30 September 2016 and 2015 were as follows:-

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	220,438	1,326	(214,988)	6,776
Loss for the period	–	–	(28,447)	(28,447)
Other comprehensive loss				
Exchange loss on translation of financial statements of foreign operations	–	(582)	–	(582)
Total comprehensive loss for the period	–	(582)	(28,447)	(29,029)
At 30 September 2016	220,438	744	(243,435)	(22,253)
At 1 January 2015	220,438	6,418	(186,521)	40,335
Loss for the period	–	–	(26,269)	(26,269)
Other comprehensive loss				
Exchange loss on translation of financial statements of foreign operations	–	(4,008)	–	(4,008)
Total comprehensive loss for the period	–	(4,008)	(26,269)	(30,277)
At 30 September 2015	220,438	2,410	(212,790)	10,058

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (nine months ended 30 September 2015: nil).

Business Review

The Group's loss attributable to owners of the Company for the nine months ended 30 September 2016 was HK\$28,447,000 (2015: loss of HK\$26,269,000).

During the nine months ended 30 September 2016, the Group recorded a turnover of HK\$76,465,000, representing a decrease of 39% compared with a turnover of HK\$124,921,000 in the same period of last year.

The sales of gold and jewellery products decreased by 45% to HK\$11,818,000 (2015: HK\$21,665,000). On the IT side of the business, sales of enterprise software products decreased by 52% to HK\$31,519,000 (2015: HK\$66,324,000), while systems integration business maintained at HK\$5,095,000 (2015: HK\$5,053,000). Professional service business dropped by 12% to HK\$28,033,000 (2015: HK\$31,879,000).

Future prospects

The IT Product and Service business of the Group remains hammered by the slowing down of China and local economies. While the management holds a cautiously optimistic view, efforts will be continuously made to explore the market and also enhance competitiveness in order to relieve the tension of rising staff cost brought by great demand of IT professionals in the industry.

Besides, the Group will continue to vigorously promote the development strategy of **HH**K. JEWELRY. While strengthening our competitive edges and increasing our market share in the jewellery industry, the management of the Company will further optimize the existing business structure, and at the same time aggressively seek for new opportunities for business development and investments.

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

As at 30 September 2016, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of Director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial Owner	Held by family	Held by controlled corporation		
Mr. CHONG Yu Ping (appointed on 17 February 2016)	–	–	312,606,140 (Note 1)	312,606,140	26.30%
Ms. LI Xia	–	–	312,606,140 (Note 1)	312,606,140	26.30%
Mr. CHEN Yin	–	–	110,303,827 (Note 2)	110,303,827	9.28%

Notes:

- (1) These shares were held by Sino Eminent Limited. Sino Eminent Limited, a company incorporated in the British Virgin Islands, is owned as to 25% by Ocean Expert Investments Limited and 75% by Shenzhen Yihua Jewelry Co., Ltd ("Shenzhen Yihua"), a company incorporated in the PRC which is held as to 80% by Mr. Chong Yu Ping. Accordingly, Mr. Chong Yu Ping is deemed to be interested in 312,606,140 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Mr. Chong Yu Ping through his shareholding in Shenzhen Yihua. Ocean Expert Investments Limited is a limited company incorporated in the British Virgin Islands which is wholly owned by Ms. Li Xia. Ms. Li Xia is deemed to be interested in 312,606,140 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Ms. Li Xia through her shareholding in Ocean Expert Investments Limited and through her acting as the sole director of Sino Eminent Limited.
- (2) These shares were held by Flourish Zone Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chen Yin.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of Shareholder	Notes	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sino Eminent Limited	1	312,606,140	26.30%
深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd)	1	312,606,140	26.30%
Ocean Expert Investments Limited	1	312,606,140	26.30%
Ms. LI Xia	1	312,606,140	26.30%
Mr. CHONG Yu Ping	1	312,606,140	26.30%
Confluence Holdings Limited	2	91,034,166	7.65%
Mr. LIN Di	2	91,034,166	7.65%
CK Hutchison Holdings Limited	3	143,233,151	12.05%
Flourish Zone Limited	4	110,303,827	9.28%
Mr. CHEN Yin	4	110,303,827	9.28%
Alps Mountain Agent Limited	3	71,969,151	6.06%
iBusiness Corporation Limited	3	67,264,000	5.66%

Notes:

- (1) These shares have been disclosed as Directors' interests held by controlled corporation in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company".
- (2) Confluence Holdings Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Lin Di. Accordingly, Mr. Lin Di is deemed to be interested in the 91,034,166 shares interested by Confluence Holdings Limited.

- (3) CK Hutchison Holdings Limited (“CK Hutchison”) is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited (“Alps”) and iBusiness Corporation Limited (“iBusiness”). Accordingly, CK Hutchison is deemed to be interested in 143,233,151 shares of the Company of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness under the SFO.
- (4) Flourish Zone Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chen Yin. Accordingly, Mr. Chen Yin is deemed to be interested in the 110,303,827 shares interested by Flourish Zone Limited.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 September 2016.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Company and for safeguarding the shareholders’ interests and the Company’s assets. The Company’s code of corporate governance practices was adopted with reference to the code provisions of the Corporate Governance Code (the “Code Provisions”) contained in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner. The Company has complied with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules as at 30 September 2016.

According to Code A.2.1 of the Code Provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lin Di ("Mr. Lin") resigned as the chief executive officer of the Company ("Chief Executive Officer") with effect from 30 March 2015 and following his resignation, Ms. Li Xia ("Ms. Li"), the Chairman at the time, was appointed as the Chief Executive Officer. Being aware of the said deviation from Code A.2.1 of the Code Provisions, but in view of the then rapid development of the Group, the Board believes that with the support of the management team, vesting the roles of both Chairman and the Chief Executive Officer in the same person would facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board, which comprised of two executive Directors, including Ms. Li, and three independent non-executive Directors, the interests of the Shareholders and Stakeholders was adequately and fairly represented.

The Company has sought to re-comply with Code A.2.1 of the Code Provisions with its best endeavours by identifying and appointing a suitable and qualified candidate to the position of the Chief Executive Officer. Having considered Ms. Li's experiences in the industry, the Company considers it to be more suitable and to the best interests of the Company for Ms. Li to remain as the Chief Executive Officer. Ms. Li resigned as the Chairman of the Board on 17 February 2016 and Mr. Chong Yu Ping was appointed as the Chairman of the Board on 17 February 2016. Such is in line with the requirement under the Code A.2.1 of the Code Provisions and demonstrated a clear division of responsibilities between the management of the Board and the day-to-day management of the Company's business to ensure a balance of power and authority.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee currently comprises three members – Mr. Lam Tin Faat, Ms. Lu Haina and Ms. Na Xin, all of whom are independent non-executive Directors. Mr. Lam Tin Faat is the chairman of the audit committee. The audit committee's principal duties, amongst other things, are to review and supervise the financial reporting process, internal control procedures and risk management systems of the Group.

The unaudited consolidated results of the Group for the six months ended 30 September 2016 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee was established on 10 May 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provisions B.1.2.

The remuneration committee is currently comprised of Mr. Lam Tin Faat and Ms. Na Xin, both are independent non-executive Directors, and Ms. Li Xia who is executive Director. Mr. Lam Tin Faat is the chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee was established on 21 March 2012.

The Company adopted that a nomination committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provisions A.5.2.

The nomination committee is currently comprised of Mr. Lam Tin Faat and Ms. Na Xin, both are independent non-executive Directors, and Ms. Li Xia who is executive Director. Mr. Lam Tin Faat is the chairman of the nomination committee.

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 September 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

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

During the nine months period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Yu Tak International Holding Limited
CHONG Yu Ping
Chairman

Hong Kong, 11 November 2016

As at the date of this report, the Board comprises:

CHONG Yu Ping (*Executive Director*)

LI Xia (*Executive Director*)

CHEN Yin (*Executive Director*)

LAM Tin Faat (*Independent Non-executive Director*)

LU Haina (*Independent Non-executive Director*)

NA Xin (*Independent Non-executive Director*)