

FIRST QUARTERLY REPORT | 2017



Yu Tak International Holdings Limited
御德國際控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 8048

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This report, for which the directors (the “Directors”) of Yu Tak International Holdings 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.

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2017

The Directors of the Company present herewith the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2017, together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2017

		(Unaudited) Three months ended 31 March	
	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	2	24,012	25,740
Other income		353	540
Change in inventories		225	(2,059)
Purchase of goods		(5,494)	(4,658)
Professional fees		(1,841)	(3,330)
Employee benefits expenses		(16,742)	(20,722)
Depreciation and amortization		(108)	(293)
Other expenses		(12,237)	(6,006)
Finance costs	3	–	(88)
Gain on disposal of subsidiary	4	7,427	–
Profit/(Loss) before income tax		4,405	(10,876)
Income tax expense	5	(65)	(87)
Profit/(Loss) for the period		4,340	(10,963)
Other comprehensive income for the period, net of tax		2,877	–
Total comprehensive Profit/(Loss) for the period		7,217	(10,963)

		(Unaudited) Three months ended 31 March	
	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Profit/(Loss) for the period attributable to:			
Owners of the Company		4,336	(9,725)
Non-controlling interests		4	(1,238)
		4,340	(10,963)
Total comprehensive Profit/(Loss) attributable to:			
Owners of the Company		4,308	(9,725)
Non-controlling interests		2,909	(1,238)
		7,217	(10,963)
Profit/(Loss) per share for the Profit/(Loss) attributable to the owners of the Company during the period			
– Basic and diluted (in HK cents)	6	0.36 cents	(0.82) cents

NOTES:

1. 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") and the accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Company Ordinance and include the applicable disclosure requirements of the GEM Listing Rules. The accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2016.

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.

2. Revenue and Turnover

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

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Sales of gold and jewellery products	6,338	6,877
Enterprise software products	6,222	8,700
Professional services	11,452	10,163
Systems integration	—	—
Total revenue	24,012	25,740

3. Finance Costs

	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Interest charges on:		
Loan wholly repayable within five years	—	88
	—	88

4. Gain On Disposal of Subsidiary

On 18 January 2017, a wholly-owned subsidiary of the Company entered into an agreement to sell all of its interest in a subsidiary which represented 65% of the entire issued share capital of the subsidiary at a cash consideration of HK\$2,000,000. The sales agreement was completed following the settlement of consideration in full on 18 March 2017.

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	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Current tax		
– Overseas Tax for the period	65	87
Total income tax expense	65	87

6. Profit/(Loss) Per Share

The calculation of the basic and diluted profit per share for the three months ended 31 March 2017 is based on the profit attributable to owners of the Company of HK\$4,336,000 (2016: HK\$9,725,000) and the weighted average number of ordinary shares of 1,188,460,000 (2016: 1,188,460,000) in issue during the period.

Diluted profit/(loss) per share for the three months ended 31 March 2017 and 2016 equates the basic profit/(loss) per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the periods ended 31 March 2017 and 2016 were as follows:–

	Share Premium HK\$'000	Exchange Reserve HK\$'000	Capital Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2017	220,438	(1,158)	(276)	(257,751)	(38,747)
Profit for the period	–	–	–	4,336	4,336
Other comprehensive expense					
Disposal of a subsidiary	–	(28)	–	–	(28)
At 31 March 2017	220,438	(1,186)	(276)	(253,415)	(34,439)
At 1 January 2016	220,438	1,326	–	(214,988)	6,776
Loss for the period	–	–	–	(9,725)	(9,725)
At 31 March 2016	220,438	1,326	–	224,713	(2,949)

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2017 (2016: Nil).

FINANCIAL PERFORMANCE

The Group's profit attributable to owners of the Company for the three months ended 31 March 2017 was HK\$4,336,000, comparing with a loss of HK\$9,725,000 in the same period of 2016.

During the period ended 31 March 2017, the Group recorded a turnover of HK\$24,012,000, representing a decrease of 7% compared with a turnover of HK\$25,740,000 in the same period of last year.

The sales of gold and jewellery products contributed HK\$6,338,000 (2016: HK\$6,877,000) to the turnover. For the IT Products and Services segment, the sales of enterprise software products decreased by 28% to HK\$6,222,000 (2016: HK\$8,700,000). Professional services business increased by 13% to HK\$11,452,000 (2016: HK\$10,163,000).

OPERATION REVIEW

Gold price gained by over 7% in the first quarter of 2017 that sales margin of the Group's Jewellery products improved observably. The "Point-To-Area" market penetration strategy remained the main strategy of the franchise businesses. Efforts in enhancing the brand's image and characters were recognized by the market.

On the other hand, rationalization of the IT Products and Services businesses was progressing. In the quarter ended 31 March 2017, the Group had disposed all of its 65% interest in a loss-marking subsidiary in China. The disposal brought in a book profit of over HK\$7 million and had also significantly reduced the operating losses of the segment.

FUTURE PROSPECTS

The Management believes that the jewellery market of China will be recovering in 2017. The Group will continue to develop its jewellery businesses by franchise and aggressive efforts in branding and marketing of signature products. Through tight co-operations with the franchisees, both online and offline, the management will strive for raising income and profitability of the business segment.

Improvements in operations of the IT Products and Services segment have become more prominent. Although a loss remains being reported in the first quarter, persistent efforts in effective cost controls and rationalization of businesses are proven as in the right direction.

With effective internal management and adhering to the usual good practice, the management commits to optimize the existing business structure and aggressively seek for new opportunities.

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

As at 31 March 2017, 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	–	–	304,815,204 (Note 1)	304,815,204	25.65%
Ms. LI Xia	–	–	304,815,204 (Note 1)	304,815,204	25.65%
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 304,815,204 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 304,815,204 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 31 March 2017.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2017, 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	304,815,204	25.65%
深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewellery Co., Ltd)	1	304,815,204	25.65%
Ocean Expert Investments Limited	1	304,815,204	25.65%
Ms. LI Xia	1	304,815,204	25.65%
Mr. CHONG Yu Ping	1	304,815,204	25.65%
Flourish Zone Limited	1	110,303,827	9.28%
Mr. CHEN Yin	1	110,303,827	9.28%
Confluence Holdings Limited	2	91,034,166	7.65%
Mr. LIN Feifei	2	91,034,166	7.65%
CK Hutchison Holdings Limited	3	143,233,151	12.05%
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 95% share interest of which are owned by Mr. Lin Feifei. Accordingly, Mr. Lin Feifei 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.

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 31 March 2017.

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 is currently comprised 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 are to review and supervise the financial reporting process and internal control procedures of the Group.

The unaudited consolidated results of the Group for the three months ended 31 March 2017 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.

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 three 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 Holdings Limited
CHONG Yu Ping
Chairman

Hong Kong, 5 May 2017

The Board comprises of:

Mr. CHONG Yu Ping (*Executive Director*)
Ms. LI Xia (*Executive Director*)
Mr. CHEN Yin (*Executive Director*)
Mr. LAM Tin Faat (*Independent Non-executive Director*)
Ms. LU Haina (*Independent Non-executive Director*)
Ms. NA Xin (*Independent Non-executive Director*)