

**THIRD**  
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

## **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 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.*

## THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2017

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 2017 ("Financial Statements"), together with the comparative figures for the corresponding periods in 2016, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2017

|   | Notes | (Unaudited)<br>Three months ended<br>30 September |                  | (Unaudited)<br>Nine months ended<br>30 September |                  |
|---|-------|---|------------------|--|------------------|
|   |       | 2017<br>HK\$'000                                  | 2016<br>HK\$'000 | 2017<br>HK\$'000                                 | 2016<br>HK\$'000 |
| <b>Revenue</b>  | 3     | <b>29,265</b>                                     | 27,573           | <b>73,533</b>                                    | 76,465           |
| Other income  |       | <b>1,302</b>                                      | 928              | <b>1,809</b>                                     | 2,695            |
| Change in inventories   |       | <b>(2,099)</b>                                    | (1,195)          | <b>(3,218)</b>                                   | (4,154)          |
| Purchase of goods   |       | <b>(5,699)</b>                                    | (5,631)          | <b>(12,634)</b>                                  | (11,405)         |
| Professional fee  |       | <b>(2,428)</b>                                    | (6,793)          | <b>(5,889)</b>                                   | (13,877)         |
| Employee benefits expenses  |       | <b>(15,596)</b>                                   | (20,465)         | <b>(48,822)</b>                                  | (62,216)         |
| Depreciation and amortisation   |       | <b>(32)</b>                                       | (620)            | <b>(155)</b>                                     | (1,599)          |
| Other expenses  |       | <b>(2,158)</b>                                    | (3,645)          | <b>(10,086)</b>                                  | (15,723)         |
| Finance costs   | 4     | —   | —                | —  | (176)            |
| Share of post-tax result of an associate  |       | <b>76</b>   | (782)            | <b>2,286</b>                                     | (1,045)          |
| Gain on disposal of control of a subsidiary                                       |       | —   | —                | <b>7,427</b>                                     | —                |
| <b>Profit/(Loss) before income tax</b>  |       | <b>2,631</b>                                      | (10,630)         | <b>4,251</b>                                     | (31,035)         |
| Income tax expense  | 5     | <b>(96)</b>                                       | (44)             | <b>(449)</b>                                     | (313)            |
| <b>Profit/(Loss) for the period</b>   |       | <b>2,535</b>                                      | (10,674)         | <b>3,802</b>                                     | (31,348)         |
| <b>Other comprehensive income for the period, net of tax</b>                      |       |   |                  |  |                  |
| Disposal of a subsidiary  |       | —   | —                | <b>2,877</b>                                     | —                |
| Exchange gain/(loss) on translation of financial statements of foreign operations |       | <b>797</b>  | (589)            | <b>797</b>                                       | (578)            |
| <b>Total comprehensive profit/(loss) for the period</b>                           |       | <b>3,332</b>                                      | (11,263)         | <b>7,476</b>                                     | (31,926)         |

|  | (Unaudited)<br>Three months ended<br>30 September |                        | (Unaudited)<br>Nine months ended<br>30 September |                        |
|--|---|------------------------|--|------------------------|
|  | 2017<br>HK\$'000                                  | 2016<br>HK\$'000       | 2017<br>HK\$'000                                 | 2016<br>HK\$'000       |
| <i>Notes</i>                           |   |                        |  |                        |
| <b>Profit/(Loss) for the period</b>    |   |                        |  |                        |
| <b>attributable to:</b>                |   |                        |  |                        |
| Owners of the Company                  | <b>2,510</b>                                      | (9,907)                | <b>4,230</b>                                     | (28,447)               |
| Non-controlling interests              | <b>25</b>   | (767)                  | <b>(428)</b>                                     | (2,901)                |
|  | <b><u>2,535</u></b>                               | <b><u>(10,674)</u></b> | <b><u>3,802</u></b>                              | <b><u>(31,348)</u></b> |
| <b>Total comprehensive profit/</b>     |   |                        |  |                        |
| <b>(loss) attributable to:</b>         |   |                        |  |                        |
| Owners of the Company                  | <b>3,307</b>                                      | (10,500)               | <b>4,999</b>                                     | (29,029)               |
| Non-controlling interests              | <b>25</b>   | (763)                  | <b>2,477</b>                                     | (2,897)                |
|  | <b><u>3,332</u></b>                               | <b><u>(11,263)</u></b> | <b><u>7,476</u></b>                              | <b><u>(31,926)</u></b> |
| <b>Profit/(Loss) per share for the</b> |   |                        |  |                        |
| <b>profit/(loss) attributable to</b>   |   |                        |  |                        |
| <b>the owners of the Company</b>       |   |                        |  |                        |
| <b>during the period</b>               |   |                        |  |                        |
| <b>– Basic and diluted</b>             | <b>0.21</b>                                       | (0.83)                 | <b>0.36</b>                                      | (2.39)                 |
| <b>(in HK cents)</b>                   | <b><u>cents</u></b>                               | <b><u>cents</u></b>    | <b><u>cents</u></b>                              | <b><u>cents</u></b>    |

Notes:

## **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 in Hong Kong. The Company’s shares are listed on the GEM of The Stock Exchange.

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 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.

### 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      |               |
|                                      | 2017               | 2016          | 2017              | 2016          |
|                                      | HK\$'000           | HK\$'000      | HK\$'000          | HK\$'000      |
| Sales of gold and jewellery products | 4,213              | 2,555         | 13,445            | 11,818        |
| Enterprise software products         | 8,069              | 11,909        | 20,408            | 31,519        |
| Systems integration                  | 4,225              | 4,106         | 4,225             | 5,095         |
| Professional services                | 12,758             | 9,003         | 35,455            | 28,033        |
| <b>Total revenue</b>                 | <b>29,265</b>      | <b>27,573</b> | <b>73,533</b>     | <b>76,465</b> |

### 4. FINANCE COSTS

|  | Three months ended |          | Nine months ended |            |
|--|--------------------|----------|-------------------|------------|
|  | 30 September       |          | 30 September      |            |
|  | 2017               | 2016     | 2017              | 2016       |
|  | HK\$'000           | HK\$'000 | HK\$'000          | HK\$'000   |
| Interest charges on:                                       |                    |          |                   |            |
| Other interest expense, wholly repayable within five years | —                  | —        | —                 | 176        |
|  | <b>—</b>           | <b>—</b> | <b>—</b>          | <b>176</b> |

## 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      |              |
|                                 | 2017               | 2016        | 2017              | 2016         |
|                                 | HK\$'000           | HK\$'000    | HK\$'000          | HK\$'000     |
| Current tax                     |                    |             |                   |              |
| – Overseas                      |                    |             |                   |              |
| Tax for the period              | (96)               | (44)        | (449)             | (313)        |
| <b>Total income tax expense</b> | <b>(96)</b>        | <b>(44)</b> | <b>(449)</b>      | <b>(313)</b> |

## 6. PROFIT/(LOSS) PER SHARE

The calculation of the basic and diluted profit per share for the nine months ended 30 September 2017 is based on the profit attributable to owners of the Company of HK\$4,230,000 (2016: Loss of HK\$28,447,000) 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 nine months ended 30 September 2017 and 2016 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 2017 and 2016 were as follows:-

|  | Share<br>premium<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|------------------------------|---------------------------------|--------------------------------|-----------------------------------|-------------------|
| <b>At 1 January 2017</b>   | <b>220,438</b>               | <b>(1,158)</b>                  | <b>(276)</b>                   | <b>(257,751)</b>                  | <b>(38,747)</b>   |
| Profit for the period  | -                            | -                               | -                              | 4,230                             | 4,230             |
| Other comprehensive income   |                              |                                 |                                |                                   |                   |
| Disposal of a subsidiary   | -                            | (28)                            | -                              | -                                 | (28)              |
| Exchange gain on translation<br>of financial statements of<br>foreign operations | -                            | 797                             | -                              | -                                 | 797               |
| Total comprehensive income for<br>the period                                     | -                            | 769                             | -                              | 4,230                             | 4,999             |
| <b>At 30 September 2017</b>  | <b>220,438</b>               | <b>(389)</b>                    | <b>(276)</b>                   | <b>(253,521)</b>                  | <b>(33,748)</b>   |
| 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<br>of financial statements of<br>foreign operations | -                            | (582)                           | -                              | -                                 | (582)             |
| Total comprehensive loss for<br>the period                                       | -                            | (582)                           | -                              | (28,447)                          | (29,029)          |
| At 30 September 2016   | 220,438                      | 744                             | -                              | (243,435)                         | (22,253)          |



## **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil).

## **Business Review**

The Group's profit attributable to owners of the Company for the nine months ended 30 September 2017 was HK\$4,230,000 (2016: Loss of HK\$28,447,000).

During the nine months ended 30 September 2017, the Group recorded a turnover of HK\$73,533,000, representing a decrease of 4% compared with a turnover of HK\$76,465,000 in the same period of last year.

The sales of gold and jewellery products increased by 14% to HK\$13,445,000 (2016: HK\$11,818,000). On the IT side of the business, sales of enterprise software products decreased by 35% to HK\$20,408,000 (2016: HK\$31,519,000) and systems integration business decreased by 17% to HK\$4,225,000 (2016: HK\$5,095,000). Professional service business increased by 26% to HK\$35,455,000 (2016: HK\$28,033,000).

## **Future prospects**

The Group's jewellery business has demonstrated improvements since the beginning of the second half year. It attributes to the strategic efforts of branding and sales through tight cooperations with the franchisees. The management believes that the trend will continue in the fourth quarter which is the traditional season of retail.

For the IT products and services segment, effective cost controls and market exploration remains the focuses of the management. Following the disposal of a continued loss-making subsidiary earlier in the year, operations and performance of this segment has been enhanced.

The management commits to optimize the existing businesses and will aggressively seek for new investment opportunities.

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

As at 30 September 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**

| <b>Name of Director</b> | <b>Number of ordinary shares held</b> |                       |                                       | <b>Total</b> | <b>Percentage of the issued share capital of the Company</b> |
|-------------------------|---------------------------------------|-----------------------|---------------------------------------|--------------|--|
|                         | <b>Beneficial Owner</b>               | <b>Held by family</b> | <b>Held by controlled corporation</b> |              |  |
| Mr. CHONG Yu Ping       | –                                     | –                     | 312,606,140<br>(Note 1)               | 312,606,140  | 26.30%   |
| Ms. LI Xia              | –                                     | –                     | 312,606,140<br>(Note 1)               | 312,606,140  | 26.30%   |
| Mr. CHEN Yin            | –                                     | –                     | 110,303,827<br>(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 2017.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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.

| <b>Name of Shareholder</b>                           | <b>Notes</b> | <b>Number of<br/>issued<br/>ordinary<br/>shares held</b> | <b>Percentage<br/>of the issued<br/>share capital<br/>of the<br/>Company</b> |
|--|--------------|--|--|
| Sino Eminent Limited                                 | 1            | 312,606,140  | 26.30%   |
| 深圳市藝華珠寶首飾股份有限公司<br>(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%   |
| 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 30 September 2017.

## **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 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 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 nine months ended 30 September 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.

## **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 currently comprises 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 currently comprises 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 nine months ended 30 September 2017.

## **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 Holdings Limited**  
**CHONG Yu Ping**  
*Chairman*

Hong Kong, 8 November 2017

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

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*)