



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

(Incorporated in Bermuda with limited liability)
Stock Code : 8048

FIRST QUARTERLY REPORT 2018

CHARACTERISTICS OF 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 GEM of the Stock Exchange (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, and there are no other matters the omission of which would make any statement herein or this report misleading.

FIRST QUARTERLY RESULTS ENDED 31 MARCH 2018

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 2018, together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2018

		(Unaudited) Three months ended 31 March	
	Notes	2018 HK\$'000	2017 HK\$'000
Revenue	2	23,459	24,012
Other income		18	353
Change in inventories		1,148	225
Purchase of goods		(4,840)	(5,494)
Professional fees		(1,566)	(1,841)
Employee benefits expenses		(17,280)	(16,742)
Depreciation and amortization		(135)	(108)
Other expenses		(6,060)	(3,427)
Share of result of an associate	4	175	–
Loss on deemed disposal of an associate		(6,837)	–
Gain on disposal of subsidiary		–	7,427
(Loss)/Profit before income tax		(11,918)	4,405
Income tax expense	5	–	(65)
(Loss)/Profit for the period		(11,918)	4,340
Other comprehensive income for the period, net of tax		–	2,877
Total comprehensive (Loss)/Profit for the period		(11,918)	7,217

		(Unaudited) Three months ended 31 March	
	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
(Loss)/Profit for the period attributable to:			
Owners of the Company		(11,907)	4,336
Non-controlling interests		(11)	4
		<u>(11,918)</u>	<u>4,340</u>
Total comprehensive (Loss)/Profit attributable to:			
Owners of the Company		(11,907)	4,308
Non-controlling interests		(11)	2,909
		<u>(11,918)</u>	<u>7,217</u>
(Loss)/Profit per share for the (Loss)/Profit attributable to the owners of the Company during the period – Basic and diluted (in HK cents)			
	6	<u>(0.99) cents</u>	<u>0.36 cents</u>

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 2017.

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	
	2018	2017
	HK\$'000	HK\$'000
Sales of gold and jewellery products	4,926	6,338
Enterprise software products	6,004	6,222
Professional services	12,529	11,452
Total revenue	23,459	24,012

3. Finance Costs

	Three months ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
Interest charges on:		
Loan wholly repayable within five years	—	—
	—	—

4. Loss on Deemed Disposal of an Associate

On 29 March 2018, an associate which was 50% owned by the Company issued 18,000 ordinary shares by right issues ("Right Shares") at HK\$100 each. The share capital raised would be applied by the associate for its product development. The Company decided not exercising its rights to subscribe any of the Right Shares. After the Right issues of the associate, the shareholding of the Company in the associate reduced from 50% to 5% that it led to a deemed disposal.

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	
	2018	2017
	HK\$'000	HK\$'000
Current tax		
– Overseas Tax for the period	–	65
Total income tax expense	–	65

6. (Loss)/Profit per Share

The calculation of the basic and diluted loss per share for the three months ended 31 March 2018 is based on the loss attributable to owners of the Company of HK\$11,907,000 (2017: profit of HK\$4,336,000) and the weighted average number of ordinary shares of 1,208,267,667 (2017: 1,188,460,000) in issue during the period.

Diluted (loss)/profit per share for the three months ended 31 March 2018 and 2017 equates the basic (loss)/profit 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 2018 and 2017 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 2018	220,438	(2,592)	(276)	(268,138)	(50,568)
Loss for the period	–	–	–	(11,907)	(11,907)
At 31 March 2018	220,438	(2,592)	(276)	(280,045)	(62,475)
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)

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2018 (2017: Nil).

FINANCIAL PERFORMANCE

The Group's loss attributable to owners of the Company for the three months ended 31 March 2018 was HK\$11,907,000, comparing with a profit of HK\$4,336,000 in the same period of 2017.

During the period ended 31 March 2018, the Group recorded a turnover of HK\$23,459,000, representing a decrease of 2% compared with a turnover of HK\$24,012,000 in the same period of last year.

The sales of gold and jewellery products contributed HK\$4,926,000 (2017: HK\$6,338,000) to the turnover. For the IT Products and Services segment, the sales of enterprise software products decreased by 4% to HK\$6,004,000 (2017: HK\$6,222,000). Professional services business increased by 9% to HK\$12,529,000 (2017: HK\$11,452,000).

OPERATION REVIEW

The gold price gained more than 3 percent in Q1 2018. A weaker US Dollar and inflation supported gold price despite its volatility over the period. It was generally believed that gold price would continue its upward trend in 2018.

Jewellery demand in China grew 7% in Q1 to a three-year high of 187.8 tonnes. Growth was buoyed by holiday spending and expectation of upwards price trend. 18-carat Gold and 3D hard gold jewellery continued to gain market share. Consumers were increasingly tempted by the innovative, fashionable, non-traditional designs offered in these categories.

Sales of Jewellery products of the Group during the period amounted to HK\$4.9 million which was 78% of sales of the same period of 2017. The Group had been adjusting its sales and marketing strategies to catch up with the trend and latest development of the market. It was expected that results would become more obvious towards the second half of 2018.

FUTURE PROSPECTS

The gold and jewellery market in China showed an annual growth of 3% in 2017 that it was the first yearly increase since 2013. It is believed that the trend of demand for lower-weight, better designed, higher-margin 'premium' gold jewellery products will continue to pick up momentum although 24-Karat gold will continue to dominate the market. The Group will stay exploring 18 carat, 22 carat and 3D hard products markets of the retailer.

The Company has raised approximately HK\$57 million share capital by Right issues during the period ended 31 March 2018. The fund will be applied for expansion and development of the Group's sales of gold and jewellery products businesses.

In 2018, the Group will look for new investments aggressively in its sales of gold and jewellery businesses. Sales in the business segment will be further improved through efforts in development of new products tapping in the market trend and effective franchisee management. With a clear market trend, a bold recovery of the gold and jewellery market and expecting stable growth of China economy in 2018 onwards, the Management believes that decisive investments for enlarging the Group's share in the market will be justified.

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

At 31 March 2018, the interests and short positions of the Directors and the Chief Executive Officer 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (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	-	-	804,157,697 (Note 1)	804,157,697	45.11%
Ms. LI Xia	-	-	804,157,697 (Note 1)	804,157,697	45.11%
Mr. CHEN Yin	-	-	165,455,740 (Note 2)	165,455,740	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 approximately 75% by Mr. Chong Yu Ping. Accordingly, Mr. Chong Yu Ping is deemed to be interested in 804,157,697 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 804,157,697 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 2018.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2018, 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	804,157,697	45.11%
深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd)	1	804,157,697	45.11%
Ocean Expert Investments Limited	1	804,157,697	45.11%
Ms. LI Xia	1	804,157,697	45.11%
Mr. CHONG Yu Ping	1	804,157,697	45.11%
Flourish Zone Limited	2	16,455,740	9.28%
Mr. CHEN Yin	2	16,455,740	9.28%
CK Hutchison Holdings Limited	3	143,233,151	8.03%
Alps Mountain Agent Limited	3	71,969,151	4.04%
iBusiness Corporation Limited	3	67,264,000	3.77%

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) 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.

- (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 at 31 March 2018.

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, 10 May 2018

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*)