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

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

# INTERIM 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.*

## INTERIM RESULTS

The Directors present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2018 ("Financial Statements"), together with the comparative figures for the corresponding periods in 2017, as follows:

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

*FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2018*

| | | **(Unaudited) Three months ended 30 June** | | **(Unaudited) Six months ended 30 June** | |
|---|---|---|---|---|---|
| | *Notes* | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 |
| **Revenue** | *4* | **25,488** | 20,256 | **48,947** | 44,268 |
| Other income | | **18** | 154 | **36** | 507 |
| Change in inventories | | **32,826** | (1,344) | **33,974** | (1,119) |
| Purchase of goods | | **(37,007)** | (1,441) | **(41,847)** | (6,935) |
| Professional fees | | **(1,612)** | (1,620) | **(3,178)** | (3,461) |
| Employee benefits expenses | | **(17,007)** | (16,484) | **(34,287)** | (33,226) |
| Depreciation and amortisation | | **(318)** | (15) | **(453)** | (123) |
| Other expenses | | **(2,408)** | (3,752) | **(8,468)** | (7,928) |
| Gain on disposal of subsidiary | | **–** | – | **–** | 7,427 |
| Share of post-tax result of an associate | | **–** | 1,461 | **175** | 2,210 |
| Loss on deemed disposal of an associate | | **–** | – | **(6,837)** | – |
| **(Loss)/Profit before income tax** | *6* | **(20)** | (2,785) | **(11,938)** | 1,620 |
| Income tax expense | *7* | **(3)** | (288) | **(3)** | (353) |
| **(Loss)/Profit for the period** | | **(23)** | (3,073) | **(11,941)** | 1,267 |
| **Other comprehensive income for the period, net of tax** | | **1,680** | – | **1,680** | 2,877 |
| **Total comprehensive (expense)/ income for the period** | | **1,657** | (3,073) | **(10,261)** | 4,144 |

| | Notes | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **(Loss)/Profit for the period attributable to:** | | | | | |
| Owners of the Company | | **(22)** | (2,616) | **(11,929)** | 1,720 |
| Non-controlling interests | | **(1)** | (457) | **(12)** | (453) |
| | | **(23)** | (3,073) | **(11,941)** | 1,267 |
| **Total comprehensive (expense)/ income attributable to:** | | | | | |
| Owners of the Company | | **1,658** | (2,616) | **(10,249)** | 1,692 |
| Non-controlling interests | | **(1)** | (457) | **(12)** | 2,452 |
| | | **1,657** | (3,073) | **(10,261)** | 4,144 |
| **(Loss)/Earnings per share for the (loss)/ profit attributable to the owners of the Company during the period – Basic and diluted (in HK cents)** | *9* | **0.00** | (0.22) | **(0.80)** | 0.14 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT 30 JUNE 2018*

| | *Notes* | **(Unaudited) 30 June 2018 HK$'000** | (Audited) 31 December 2017 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **2,081** | 1,156 |
| Interest in an associate | | **–** | 7,522 |
| Financial assets at fair value through other comprehensive income | | **860** | – |
| | | **2,941** | 8,678 |
| **Current assets** | | | |
| Inventories | | **70,038** | 36,064 |
| Contract assets | | **11,827** | 7,707 |
| Trade receivables | *11* | **10,437** | 13,507 |
| Other receivables, deposits and prepayments | | **20,810** | 20,814 |
| Bank balances and cash | | **35,318** | 25,675 |
| | | **148,430** | 103,767 |

| | Notes | (Unaudited) 30 June 2018 HK$'000 | (Audited) 31 December 2017 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | *12* | **1,039** | 1,140 |
| Other payables and accrued charges | | **8,700** | 21,934 |
| Contract liabilities | | **7,875** | 2,217 |
| Amounts due to directors | | **20,526** | 20,538 |
| Tax payables | | **–** | 77 |
| | | **38,140** | 45,906 |
| **Net current assets** | | **110,290** | 57,861 |
| **Total assets less current liabilities** | | **113,231** | 66,539 |
| **Net assets** | | **113,231** | 66,539 |
| **EQUITY** | | | |
| Share capital | *13* | **178,269** | 118,846 |
| Reserves | | **(63,287)** | (50,568) |
| **Equity attributable to owners of the Company** | | **114,982** | 68,278 |
| **Non-controlling interests** | | **(1,751)** | (1,739) |
| **Total equity** | | **113,231** | 66,539 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | Equity attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Exchange reserve** HK$'000 | **Capital reserve** HK$'000 | **Accumulated losses** HK$'000 | **Total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| **At 1 January 2018** | **118,846** | **220,438** | **(2,592)** | **(276)** | **(268,138)** | **68,278** | **(1,739)** | **66,539** |
| Issue of ordinary shares on right issue *(Note 13)* | **59,423** | **(2,470)** | **-** | **-** | **-** | **56,953** | **-** | **56,953** |
| Loss for the period | **-** | **-** | **-** | **-** | **(11,929)** | **(11,929)** | **(12)** | **(11,941)** |
| Other comprehensive income | **-** | **-** | **1,680** | **-** | **-** | **1,680** | **-** | **1,680** |
| **Total comprehensive loss for the period** | **-** | **-** | **1,680** | **-** | **(11,929)** | **(10,249)** | **(12)** | **(10,261)** |
| **At 30 June 2018** | **178,269** | **217,968** | **(912)** | **(276)** | **(280,067)** | **114,982** | **(1,751)** | **113,231** |
| At 1 January 2017 | 118,846 | 220,438 | (1,158) | (276) | (257,751) | 80,099 | (4,648) | 75,451 |
| Profit for the period | - | - | - | - | 1,720 | 1,720 | (453) | 1,267 |
| Other comprehensive income | | | | | | | | |
| Disposal of a subsidiary | - | - | (28) | - | - | (28) | 2,905 | 2,877 |
| Total comprehensive income for the period | - | - | (28) | - | 1,720 | 1,692 | 2,452 | 4,144 |
| At 30 June 2017 | 118,846 | 220,438 | (1,186) | (276) | (256,031) | 81,791 | (2,196) | 79,595 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | (Unaudited) Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| **Cash flows from operating activities** | | |
| (Loss)/Profit before income tax | **(11,938)** | 1,620 |
| Adjustments:- | | |
| – Share of post-tax result of an associate | **(175)** | (2,210) |
| – Loss on deemed disposal of an associate | **6,837** | – |
| – Gain on disposal of subsidiary | **–** | (7,427) |
| – Other non-cash items and net changes in working capital | **(43,662)** | 9,576 |
| **Net cash flows (used in)/generated from operating activities** | **(48,938)** | 1,559 |
| **Cash flows from investing activities** | | |
| Interest in an associate | **–** | (5,254) |
| Purchase of property, plant and equipment | **1,628** | (23) |
| Proceed from disposal of subsidiary | **–** | 2,000 |
| **Net cash generated from/(used in) investing activities** | **1,628** | (3,277) |
| **Cash flows from financing activities** | | |
| Net proceed from issuance of ordinary shares | **56,953** | – |
| **Cash flows from financing activities** | **56,953** | – |
| **Net increase/(decrease) in cash and cash equivalents** | **9,643** | (1,718) |
| **Cash and cash equivalents at the beginning of the period** | **25,675** | 24,502 |
| **Cash and cash equivalents at the end of the period** | **35,318** | 22,784 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

## 1. GENERAL INFORMATION

Yu Tak International Holdings Ltd (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 7/F., Nan Fung Tower, 88 Connaught Road Central, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, sale and implementation of enterprise software, provision of systems integration and professional 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules").

The condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Consolidated Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations issued by HKICPA and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The unaudited consolidated results for the six months ended 30 June 2018 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

The condensed consolidated financial statements have been prepared under the historical cost basis.

Except as described in Note 3 below, the accounting policies applied and the method of computation used in the preparation of the condensed consolidated financial statements are consistent with those adopted in the preparation of the 2017 Consolidated Financial Statements.

## 3. CHANGES IN ACCOUNTING POLICIES

**(a) Overview**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9 Financial instruments
- HKFRS 15 Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Details of the changes in accounting policies are discussed in Note 3(b) for HKFRS 15 and Note 3(c) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

| | 31 December 2017 RMB'000 | Impact on initial application of HKFRS 15 RMB'000 | Impact on initial application of HKFRS 9 RMB'000 | 1 January 2018 RMB'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 1,156 | – | – | 1,156 |
| Investment in associate | 7,522 | – | – | 7,522 |
| | 8,678 | – | – | 8,678 |
| **Current assets** | | | | |
| Inventories | 36,064 | – | – | 36,064 |
| Amount due from customers for contract work | 7,707 | (7,707) | – | – |
| Contract assets | – | 7,707 | – | 7,707 |
| Trade and bills receivables | 13,507 | – | – | 13,507 |
| Other receivables, deposits and prepayments | 20,814 | – | – | 20,814 |
| Cash and cash equivalents | 25,675 | – | – | 25,675 |
| | 103,767 | – | – | 103,767 |
| **Current liabilities** | | | | |
| Trade payables | 1,140 | – | – | 1,140 |
| Other payables and accrued charges | 21,934 | (6,843) | – | 15,091 |
| Contract liabilities | – | 9,060 | – | 9,060 |
| Amounts due to customers for contract work | 2,217 | (2,217) | – | – |
| Amounts due to directors | 20,538 | – | – | 20,538 |
| Tax payable | 77 | – | – | 77 |
| | 45,906 | – | – | 45,906 |

**(b) HKFRS 15 Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

***(i) Timing of revenue recognition***

Previously, revenue arising from provision of services is recognized over time, whereas revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

***(ii) Presentation of contract asset and contract liability***

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

**(c) HKFRS 9 *Financial instruments***

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on retained earnings and reserves at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

***(i) Classification of financial assets and financial liabilities***

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

*(ii)* ***Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under the "incurred loss" model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and contract assets). Financial assets measured at fair value are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition.

Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no material impact for the initial application of the new impairment requirements.

## 4. REVENUE

The Group's revenue recognized during the period is as follows:

| | **Three months ended 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Sales of gold and jewellery products | **5,628** | 2,894 | **10,554** | 9,232 |
| Enterprise software products | **7,300** | 6,117 | **13,304** | 12,339 |
| Professional services | **12,560** | 11,245 | **25,089** | 22,697 |
| **Total revenue** | **25,488** | 20,256 | **48,947** | 44,268 |

## 5. SEGMENT INFORMATION

The executive Directors, being the chief operating decision makers, have identified the Group's two products and service lines as operating segments. Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

| | Six months ended 30 June 2018 | | |
|---|---|---|---|
| | Jewellery Products HK$'000 | IT Products and Services HK$'000 | Total HK$'000 |
| **Revenue** | | | |
| – From external customers | 10,554 | 38,393 | 48,947 |
| **Reportable segment revenue** | 10,554 | 38,393 | 48,947 |
| **Reportable segment loss before income tax** | (5,041) | (6,897) | (11,938) |
| Depreciation | (397) | (56) | (453) |
| Share of post-tax result of an associate | – | 175 | 175 |
| **Reportable segment assets** | 326,800 | 49,524 | 376,324 |
| Additions to non-current segment assets (other than financial instruments) during the period | 1,628 | – | 1,628 |
| **Reportable segment liabilities** | 25,711 | 237,382 | 263,093 |

| | Six months ended 30 June 2017 | | |
|---|---|---|---|
| | Jewellery Products HK$'000 | IT Products and Services HK$'000 | Total HK$'000 |
| Revenue | | | |
| – From external customers | 9,232 | 35,036 | 44,268 |
| Reportable segment revenue | 9,232 | 35,036 | 44,268 |
| Reportable segment (loss)/profit before income tax | (6,065) | 7,685 | 1,620 |
| Depreciation | (88) | (35) | (123) |
| Share of post-tax result of an associate | – | 2,210 | 2,210 |
| Gain on disposal of subsidiary | – | 7,427 | 7,427 |
| Reportable segment assets | 275,737 | 69,820 | 345,557 |
| Additions to non-current segment assets (other than financial instruments) during the period | – | 23 | 23 |
| Reportable segment liabilities | 25,133 | 240,829 | 265,962 |

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated financial statements as follows:

| | **30 June 2018 HK$'000** | 30 June 2017 HK$'000 |
|---|---|---|
| Reportable segment assets | **376,324** | 345,557 |
| Elimination of inter-segment receivables | **(224,953)** | (224,953) |
| **Group assets** | **151,371** | 120,604 |

| | **30 June 2018 HK$'000** | 30 June 2017 HK$'000 |
|---|---|---|
| Reportable segment liabilities | **263,093** | 265,962 |
| Elimination of inter-segment payables | **(224,953)** | (224,953) |
| **Group liabilities** | **38,140** | 41,009 |

The Group's revenue from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

| | Revenue from external customers Six months ended 30 June | | Non-current assets 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong | **3,250** | 3,256 | **2,342** | 22,751 |
| PRC and Taiwan | **41,964** | 36,789 | **577** | 214 |
| South East Asia | **3,733** | 4,223 | **22** | 18 |
| | **48,947** | 44,268 | **2,941** | 22,983 |

## 6. (LOSS)/Profit BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Depreciation of property, plant and equipment | **318** | 15 | **453** | 123 |
| Interest income | **(1)** | (2) | **(2)** | (4) |

## 7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the condensed consolidated 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 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Current tax | | | | |
| – Overseas | | | | |
| Tax for the period | **3** | 288 | **3** | 353 |
| **Total income tax expense** | **3** | 288 | **3** | 353 |

## 8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 9. LOSS/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2018 is based on the loss attributable to owners of the Company of HK$11,929,000 (2017: profit of HK$1,720,000) and the weighted average number of ordinary shares of 1,493,783,000 (2017: 1,188,460,000) in issue during the period.

Diluted (loss)/earnings per share for the six months ended 30 June 2018 and 2017 is the same as the basic (loss)/earnings per share as there is no potential dilutive ordinary share in issue during the periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group spent HK$1,628,000 (six months ended 30 June 2017: HK$23,000) on acquisition of property, plant and equipment.

## 11. TRADE RECEIVABLES

| | 30 June 2018 HK$'000 | 31 December 2017 HK$'000 |
|---|---|---|
| Trade receivables | **10,457** | 13,613 |
| Less: allowance for doubtful debts | **(20)** | (106) |
| | **10,437** | 13,507 |

Trade receivables from third parties for IT products and Services are due within 14 days to 60 days from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted.

The Group's sales of gold and jewellery products comprise mainly cash sales and credit card sales to retail customers and credit sales to franchisees with 0 – 60 days credit terms.

During the reporting period, the Group kept assessing the expected credit loss of all receivables and established a provision of doubtful debts. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that recovery is remote, in which case the expected credit loss is written off against trade receivables and the provision for doubtful debts directly.

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods at their inception.

Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade receivables, net of provision for impairment was as follows:

| | **30 June 2018 HK$'000** | 31 December 2017 HK$'000 |
|---|---|---|
| 0 – 30 days | **8,193** | 12,099 |
| 31 – 60 days | **1,702** | 1,042 |
| 61 – 90 days | **298** | 135 |
| Over 90 days | **244** | 231 |
| | **10,437** | 13,507 |

## 12. TRADE PAYABLES

The Group was granted by its third parties suppliers credit periods ranging from 30 – 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

| | **30 June 2018 HK$'000** | 31 December 2017 HK$'000 |
|---|---|---|
| 0 – 30 days | **845** | 981 |
| Over 90 days | **194** | 159 |
| | **1,039** | 1,140 |

All amounts are short term and hence the carrying values of trade payables are considered to be a reasonable approximation of its fair value.

## 13. SHARE CAPITAL

| | Number of shares | HK$'000 |
|---|---:|---:|
| **Ordinary shares of HK$0.1 each** | | |
| **Authorised:** | | |
| At 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018 | 5,000,000,000 | 500,000 |
| Issued and fully paid: | | |
| At 1 January 2017, 31 December 2017 and 1 January 2018 | 1,188,460,000 | 118,846 |
| Right Issue *(Note)* | 594,230,000 | 59,423 |
| **At 30 June 2018** | 1,782,690,000 | 178,269 |

*Note:*

On 29 March 2018, the Company issued and allotted 594,230,000 ordinary shares of par value HK$0.10 each to qualifying shareholders pursuant to the rights issue on the basis of one rights share for every two existing shares held by the qualifying shareholders on 27 February 2018 at the subscription price of HK$0.10 per rights share ("Rights Issue"), and raised gross proceeds of approximately HK$59,423,000, which was credited to share capital of the Company.

Share issuance expenses mainly include share underwriting commission, lawyers' fees and other related costs associated with the Rights Issue. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately HK$2,470,000 was treated as a deduction against the share premium account.

## 14. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and/or related parties:

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| **Connected and/or related parties** | **Nature of transactions** | **HK$'000** | HK$'000 |
| Companies in which directors of the Company have interests | | | |
| – Shenzhen Yihua Jewellery Company Limited* ("Shenzhen Yihua") *(notes a and c)* | Operating lease charges on land and building | **1,170** | 1,152 |
| Associate | | | |
| – Excel Technology International (Hong Kong) Limited ("Excel HK") *(note b)* (from 1 January 2018 to 29 March 2018) | Professional fee received | **9,238** | 15,676 |
| | Professional fee paid | **1,496** | 3,171 |
| | Purchase of complementary hardware and software | **–** | 27 |
| | Administrative expense reimbursement paid and payable | **360** | 480 |
| Other investment | | | |
| – Excel HK *(note b)* (from 30 March 2018 to 30 June 2018) | Professional fee received | **9,314** | – |
| | Professional fee paid | **1,571** | – |
| | Administrative expense reimbursement paid | **360** | – |

*Notes:*

(a) Shenzhen Yihua is a shareholder of the Company as at 30 June 2018 and 31 December 2017 and is owned as to approximately 75% by Mr. Chong Yu Ping, an executive director of the Company.

(b) Excel HK has become an associate since 27 May 2015. On 29 March 2018, Excel HK issued 18,000 ordinary shares by rights issues ("Rights Shares") at HK$100 each. The share capital raised would be applied for its product development. The Group decided not exercising its rights to subscribe any of the Rights Shares. After the Right issues of Excel HK, the shareholding of the Group in Excel HK reduced to 5% and was classified as financial assets at fair value through other comprehensive income.

(c) The above related party transactions also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

These transactions were conducted in the Group's normal course of business and at mutually agreed prices and terms.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

The Group's loss attributable to owners of the Company for the six months ended 30 June 2018 was HK$11,929,000, comparing with a profit of HK$1,720,000 in the same period of 2017.

During the six months ended 30 June 2018, the Group recorded a turnover of HK$48,947,000, representing a increase of approximately 11% compared with a turnover of HK$44,268,000 in the same period of last year.

The sales of gold and jewellery products amounted to HK$10,554,000 (2017: HK$9,232,000). For the IT products and Services segment, sales of enterprise software products increased by approximately 8% to HK$13,304,000 (2017: HK$12,339,000). Professional service business increased by approximately 11% to HK$25,089,000 (2017: HK$22,697,000).

## Liquidity and Financial Resources

As of 30 June 2018, the Group was in a financial position with cash and cash equivalents of HK$35,318,000 (31 December 2017: HK$25,675,000).

The Group monitors its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. As of 30 June 2018 and 31 December 2017, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group was zero.

## Capital Structure

The Group's outstanding issued shares were 1,782,690,000 shares as at 30 June 2018.

## Segmental Performances

For the six months ended 30 June 2018, the Jewellery Products business's turnover was HK$10,554,000, increased by 14% as compared with the same period of last year (2017: HK$9,232,000). The IT Products and Services business's turnover was HK$38,393,000, increased by approximately 10% as compared with the same period of last year (2017: HK$35,036,000).

## Employees

The total number of employees as of 30 June 2018 was 298 (Beginning of 2018: 301). There was no significant change in the total number of employee during the period.

## Outlook for the Second Half of 2018

Gold price fell in the second quarter of 2018 and ended up with a drop of 4% over the six month period to US$1,250.45 per ounce due to the growing concerns over the tariff battle between the US and China and the trend of increasing interest rates.

On the demand side, gold jewellery retail sales in China grew by 5.6% in the first quarter to 180.5 tonnes due to seasonal sales around the Chinese Lunar Year. In the first half of 2018, gold jewellery retail sales in China went up 6.4% year-on-year to 351.8 tonnes, according to the China Gold Association. Growth continued in 2018 as the market participants had successfully adapted to the changes in market demand of traditional low-ended products to fashioned and value-added products by new designs and branding strategies. Besides, sales and marketing through internet and other new media helped the market participants react to Chinese customers' fast-changing tastes much more efficiently that supported growth in the period.

The management believed that recovery of the jewellery market will continue although there were risks brought by uncertainties of the economic environment in short-term. In March 2018, the Company had successfully raised funds of HK$57 million (net of all relevant expenses) by Rights Issue. The management planned to apply the funds to further expand the Group's sales of gold and jewellery products business in the China by decent investments in branding, product designs as well as expanding the sales and marketing channels.

For the IT Products and Services segment, improvement of profitability by reorganization of businesses and effective management remained the focuses of the management. The management committed to optimize the existing business structure and to aggressively seek for new opportunities.

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

At 30 June 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: Beneficial Owner | Held by family | Held by controlled corporation | Total | Percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| 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 30 June 2018.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 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 30 June 2018.

## 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 June 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 currently comprises three members – Mr. Lam Tin Faat, Ms. Zhao Xiaxia 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 June 2018 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 an 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 June 2018.

## 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 six 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 August 2018

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. ZHAO Xiaxia *(Independent Non-executive Director)*
Ms. NA Xin *(Independent Non-executive Director)*