



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

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

# THIRD 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 the 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, there are no other matters the omission of which would make any statement herein or this report misleading.*

## THIRD QUARTERLY RESULTS ENDED 30 SEPTEMBER 2018

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 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 NINE MONTHS ENDED 30 SEPTEMBER 2018

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	3	<b>23,042</b>	29,265	<b>71,989</b>	73,533
Other income		<b>117</b>	1,302	<b>153</b>	1,809
Change in inventories		<b>(760)</b>	(2,099)	<b>33,214</b>	(3,218)
Purchase of goods		<b>(3,456)</b>	(5,699)	<b>(45,303)</b>	(12,634)
Professional fee		<b>(964)</b>	(2,428)	<b>(4,142)</b>	(5,889)
Employee benefits expenses		<b>(15,298)</b>	(15,596)	<b>(49,585)</b>	(48,822)
Depreciation and amortisation		<b>(201)</b>	(32)	<b>(654)</b>	(155)
Other expenses		<b>(7,964)</b>	(2,158)	<b>(16,432)</b>	(10,086)
Gain on disposal of subsidiary		—	—	—	7,427
Share of post-tax result of an associate		—	76	<b>175</b>	2,286
Loss on deemed disposal of an associate		—	—	<b>(6,837)</b>	—
<b>(Loss)/Profit before income tax</b>	4	<b>(5,484)</b>	2,631	<b>(17,422)</b>	4,251
Income tax expense	5	<b>(4)</b>	(96)	<b>(7)</b>	(449)
<b>(Loss)/Profit for the period</b>		<b>(5,488)</b>	2,535	<b>(17,429)</b>	3,802
<b>Other comprehensive income for the period, net of tax</b>					
Disposal of a subsidiary		—	—	—	2,877
Exchange gain/(loss) on translation of financial statements of foreign operations		<b>(728)</b>	797	<b>952</b>	797
<b>Total comprehensive (expense)/income for the period</b>		<b>(6,216)</b>	3,332	<b>(16,477)</b>	7,476

	<i>Notes</i>	<b>(Unaudited)</b> <b>Three months ended</b> <b>30 September</b>		<b>(Unaudited)</b> <b>Nine months ended</b> <b>30 September</b>	
		<b>2018</b>	2017	<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/Profit for the period attributable to:</b>					
Owners of the Company		<b>(5,479)</b>	2,510	<b>(17,408)</b>	4,230
Non-controlling interests		<b>(9)</b>	25	<b>(21)</b>	(428)
		<b><u>(5,488)</u></b>	<u>2,535</u>	<b><u>(17,429)</u></b>	<u>3,802</u>
<b>Total comprehensive (expense)/ income attributable to:</b>					
Owners of the Company		<b>(6,207)</b>	3,307	<b>(16,456)</b>	4,999
Non-controlling interests		<b>(9)</b>	25	<b>(21)</b>	2,477
		<b><u>(6,216)</u></b>	<u>3,332</u>	<b><u>(16,477)</u></b>	<u>7,476</u>
<b>(Loss)/Earning per share attributable to the owners of the Company during the period</b>					
– Basic and diluted (in HK cents)	6	<b><u>(0.34) cents</u></b>	0.21 cents	<b><u>(1.09) cents</u></b>	0.36 cents

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

## 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 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 and the provision of systems integration, 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 unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2018 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 unaudited condensed financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”).

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in financial statements for the year ended 2017 except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2018. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed financial statements.

The unaudited condensed 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

Revenue recognized during the period is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of gold and jewellery products	3,217	4,213	13,771	13,445
Enterprise software products	5,724	8,069	19,028	20,408
Systems integration	2,085	4,225	2,085	4,225
Professional services	12,016	12,758	37,105	35,455
<b>Total revenue</b>	<b>23,042</b>	<b>29,265</b>	<b>71,985</b>	<b>73,533</b>

### 4. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	201	32	654	155



## 5. 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 September		Nine months ended 30 September	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current tax				
– Overseas				
Tax for the period	(4)	(96)	(7)	(449)
<b>Total income tax expense</b>	<b>(4)</b>	<b>(96)</b>	<b>(7)</b>	<b>(449)</b>

## 6. (LOSS)/Earning PER SHARE

The calculation of the basic and diluted loss per share for the nine months ended 30 September 2018 is based on the loss attributable to owners of the Company of HK\$17,408,000 (2017: profit of HK\$4,230,000) and the weighted average number of ordinary shares of 1,593,320,000 (2017: 1,188,460,000) in issue during the period.

Diluted (loss)/earning per share for the nine months ended 30 September 2018 and 2017 is the same as the basic (loss)/earning 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 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
<b>At 1 January 2018</b>	<b>220,438</b>	<b>(2,592)</b>	<b>(276)</b>	<b>(268,138)</b>	<b>(50,568)</b>
Issue of ordinary Shares on right issue	<u>(2,470)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,470)</u>
Loss for the period	-	-	-	(17,408)	(17,408)
Other Comprehensive income					
Exchange gain on translation of financial statements of foreign operations	<u>-</u>	<u>952</u>	<u>-</u>	<u>-</u>	<u>952</u>
Total comprehensive loss for the period	<u>-</u>	<u>952</u>	<u>-</u>	<u>(17,408)</u>	<u>(16,456)</u>
<b>At 30 September 2018</b>	<b><u>217,968</u></b>	<b><u>(1,640)</u></b>	<b><u>(276)</u></b>	<b><u>(285,546)</u></b>	<b><u>(69,494)</u></b>



	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2017	220,438	(1,158)	(276)	(257,751)	(38,747)
Profit for the period	–	–	–	4,230	4,230
Other comprehensive income					
Disposal of a subsidiary	–	(28)	–	–	(28)
Exchange gain on translation of financial statements of foreign operations	–	797	–	–	797
Total comprehensive income for the period	–	769	–	4,230	4,999
At 30 September 2017	<u>220,438</u>	<u>(389)</u>	<u>(276)</u>	<u>(253,521)</u>	<u>(33,748)</u>

## INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

## Business Review

The Group's loss attributable to owners of the Company for the nine months ended 30 September 2018 was HK\$17,408,000 (2017: profit of HK\$4,230,000).

During the nine months ended 30 September 2018, the Group recorded a turnover of HK\$71,989,000, representing a decrease of 2% compared with a turnover of HK\$73,533,000 in the same period of last year.

The sales of gold and jewellery products increased by 2% to HK\$13,771,000 (2017: HK\$13,445,000). On the IT side of the business, sales of enterprise software products decreased by 7% to HK\$19,028,000 (2017: HK\$20,408,000) and systems integration business decreased by 50% to HK\$2,085,000 (2017: HK\$4,225,000). Professional service business increased by 5% to HK\$37,105,000 (2017: HK\$35,455,000).

### **Future prospects**

Gold price fell almost 5 percent in the third quarter of 2018 to below US\$1,200 per ounce in mid-August and it stayed at around there for the remaining days of third quarter 2018. A strong US dollar was widely accepted as the main catalyst behind the downfall of Gold price throughout the quarter.

While the trade issues between US and China remained unsolved and global investment market became more volatile, any attempt to project Gold price and its trend could be premature. In light of these uncertainties, demand for gold jewellery in China could be suppressed in the rest of the year.

The Group believed that the shifts in market demand of traditional low-end products to fashioned and value-added products by new designs and branding strategies would continue to support development of the gold jewellery market in China. Businesses would be less susceptible to short-term economic volatility by following the market trend. The Group would adhere to its plan to further expand the sales of gold jewellery products business in China by decent investments in branding, product designs and expanding 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

As at 30 September 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 80% 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 September 2018.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of party	Notes	Capacity in which interests are held	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Yinsheng Finance Limited	Note 1	Security interest	909,502,801	51.02%
Sino Eminent Limited	Note 2	Beneficial owner	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*)	Note 2	Interest in a controlled corporation	804,157,697	45.11%
Ocean Expert Investments Limited	Note 2	Interest in a controlled corporation	804,157,697	45.11%
Ms. LI Xia	Note 2	Interest in a controlled corporation	804,157,697	45.11%
Mr. CHONG Yu Ping	Note 2	Interest in a controlled corporation	804,157,697	45.11%
Flourish Zone Limited	Note 3	Beneficial owner	165,455,740	9.28%
Mr. CHEN Yin	Note 3	Interest in a controlled corporation	165,455,740	9.28%
Mr. LIN Feifei		Beneficial owner	146,415,076	8.21%
CK Hutchison Holdings Limited	Note 4	Interest in controlled corporations	143,233,151	8.03%

*Notes:*

- (1) On 26 March 2018, (i) Sino Eminent Limited; (ii) Ms. Zhuang Rushan; and (iii) Flourish Zone Limited, have pledged 304,815,204, 50,136,000 and 63,000,000 shares of the Company respectively in favour of China Yinsheng Finance Limited as security for a loan facility provided by China Yinsheng Finance Limited to Sino Eminent Limited (the "Loan"). In addition, Sino Eminent Limited have pledged an additional 491,551,597 shares of the Company, which was obtained by it after the completion of the Rights Issue, in favour of China Yinsheng Finance Limited as security for the Loan. Accordingly, China Yinsheng Finance Limited has security interest in 909,502,801 shares of the Company. Details of the abovementioned pledge of shares are set out in the Company's announcement dated 26 March 2018.
- (2) Sino Eminent Limited is 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.
- (3) 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 165,455,740 shares interested by Flourish Zone Limited.
- (4) CK Hutchison is deemed to be interested in a total of 143,233,151 shares of the Company through its controlled companies.

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 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 September 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 nine months ended 30 September 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 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 2018.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors, the controlling 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 during the nine months ended 30 September 2018.

## **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, 9 November 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*)