



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

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

2019

FIRST QUARTERLY REPORT

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 2019

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 2019, together with the comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2019

		(Unaudited) Three months ended 31 March	
	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	2	21,637	23,459
Other income		–	18
Change in inventories		(1,055)	1,148
Purchase of goods		(1,665)	(4,840)
Professional fees		(671)	(1,566)
Employee benefits expenses		(16,494)	(17,280)
Depreciation and amortization		(458)	(135)
Other expenses		(5,745)	(6,060)
Share of result of an associate		–	175
Loss on deemed disposal of an associate		–	(6,837)
Gain on disposal of subsidiary		–	–
Loss before income tax		(4,451)	(11,918)
Income tax expense	4	(3)	–
Loss for the period		(4,454)	(11,918)
Other comprehensive income/(expense) for the period, net of tax		–	–
Total Comprehensive Loss for the period		(4,454)	(11,918)

		(Unaudited) Three months ended 31 March	
	Notes	2019 HK\$'000	2018 HK\$'000
Loss for the period attributable to:			
Owners of the Company		(4,436)	(11,907)
Non-controlling interests		(18)	(11)
		<u>(4,454)</u>	<u>(11,918)</u>
Total Comprehensive Loss attributable to:			
Owners of the Company		(4,436)	(11,907)
Non-controlling interests		(18)	(11)
		<u>(4,454)</u>	<u>(11,918)</u>
Loss per share for the Loss attributable to the owners of the Company during the period – Basic and diluted (in HK cents)	5	<u>(0.25) cents</u>	<u>(0.99) 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 Rules Governing the Listing of securities on the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

Except as described below, the accounting policies used in the financial highlights for the three months ended 31 March 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Under HKFRS 16, distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

1. Basis of Preparation (Continued)

HKFRS 16 Leases (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

As allowed by HKFRS 16, the Group has elected the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases, and has applied the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application, 1 January 2019. The Group has opted the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated.

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the new accounting model to short-term leases and leases of low-value assets, not to perform a full review of existing leases and apply HKFRS 16 only to new contracts and to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

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	
	2019	2018
	HK\$'000	HK\$'000
Sales of gold and jewellery products	3,587	4,926
Enterprise software products	5,944	6,004
Professional services	12,106	12,529
Total revenue	21,637	23,459

3. FINANCE COSTS

	Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Interest charges on:		
Loan wholly repayable within five years	—	—
	—	—

4. 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	
	2019	2018
	HK\$'000	HK\$'000
Current tax		
– Overseas Tax for the period	3	–
Total income tax expense	3	–

5. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the three months ended 31 March 2019 is based on the loss attributable to owners of the Company of HK\$4,436,000 (2018: loss of HK\$11,907,000) and the weighted average number of ordinary shares of 1,782,690,000 (2018: 1,208,267,667) in issue during the period.

Diluted loss per share for the three months ended 31 March 2019 and 2018 equates the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves for the periods ended 31 March 2019 and 2018 were as follows:–

	Share premium	Exchange reserve	Capital reserve	Fair value reserve non- recycling	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019	217,968	(6,361)	(276)	11,926	(291,626)	(68,369)
Loss for the period	–	–	–	–	(4,436)	(4,436)
Other comprehensive income/(expense)	–	–	–	–	–	–
Total Comprehensive Loss for the period	–	–	–	–	(4,436)	(4,436)
Balance at 31 March 2019	217,968	(6,361)	(276)	11,926	(296,062)	(72,805)
Balance at 1 January 2018	220,438	(2,592)	(276)	–	(268,138)	(50,568)
Loss for the period	–	–	–	–	(11,907)	(11,907)
Other comprehensive income/(expense)	–	–	–	–	–	–
Total Comprehensive Loss for the period	–	–	–	–	(11,907)	(11,907)
Balance at 31 March 2018	220,438	(2,592)	(276)	–	(280,045)	(62,475)

INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 March 2019 (2018: Nil).

FINANCIAL PERFORMANCE

The Group's loss attributable to owners of the Company for the three months ended 31 March 2019 was HK\$4,436,000, comparing with loss of HK\$11,907,000 in the same period of 2018.

During the period ended 31 March 2019, the Group recorded turnover of HK\$21,637,000, representing a decrease of 8% compared with HK\$23,459,000 for the same period of last year.

The sales of gold and jewellery products contributed HK\$3,587,000 (2018: HK\$4,926,000) to the turnover. For the IT Products and Services segment, the sales of enterprise software products decreased by 1% to HK\$5,944,000 (2018: HK\$6,004,000). Professional services business decreased by 3% to HK\$12,106,000 (2018: HK\$12,529,000).

OPERATION REVIEW

Gold price started in 2019 at USD1,282 oz, climbed to as high as USD1,346 oz and closed at USD1,295 oz at 31 March 2019. The relatively volatile gold prices and unresolved trade conflicts with the United States continued to worry the consumers. Demand of gold jewellery in China softened in the first quarter of 2019 by 2% to 184.1 tonnes.

Fashionable designs of 18K Gold and 3D hard gold jewellery which had gained a solid foothold in the market remained an emerging segment of the market to watch over. Sales of Jewellery products of the Group during the period amounted to HK\$3.6 million representing a decrease of 27% compared with the same period of 2018. The Group had been adjusting its sales and marketing strategies to catch up with the trend and latest development of the market.

FUTURE PROSPECTS

While it was generally believed that growth of United States would be likely slowing down in 2019 and the interest rate hikes would be also put at a halt, gold prices were buoyed by reversing real interest rate and accelerating inflation. The change in price expectations would probably induce new consumer demand for the gold jewellery in 2019.

China jewellery market is responsive to changing consumer behavior. Rather than relying on traditional consumers who buy jewellery purely for its gold content, market players are undertaking extensive market researches to get to know their customers tastes and appetites for offering a more diverse product mix, designing more appealing jewellery and optimising sales channels to modern consumers.

In recent years, gold jewellery has faced stiff competition from other items of jewellery and luxury goods in Tier 1 and Tier 2 cities. Competition is however not as fierce in Tier 3 and Tier 4 cities where consumers in these regions prefer high carat gold jewellery for wealth preservation purposes. The Group will continue to source and develop innovative and exclusive products to meet the changing consumer demand and also strategically extend franchise network for distribution of gold products in Tier 3 and Tier 4 cities.

For the IT Products and Services segment, the management believes that existing businesses may further scale down in 2019. Although the focus of the Group has been shifting to the sales of gold jewellery segment, the Group remains interested in other business opportunities including IT and on-line businesses. The Group will aggressively look for business opportunities which have synergies with its core businesses.

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

At 31 March 2019, 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	19,482,000	–	804,157,697 (Note 1)	823,639,697	46.20%
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 2019.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, 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 & Beneficial owner	823,639,697	46.20%
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 31 March 2019.

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 31 March 2019.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.05(2) and 5.28 to 5.29 and code C3 of the Code Provision 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 three months ended 31 March 2019 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, 15 May 2019

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