



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

THIRD 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 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 2019

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 2019 ("Financial Statements"), together with the comparative figures for the corresponding periods in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2019

		(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	Notes	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Revenue	3	30,336	23,042	75,001	71,989
Other income		29	117	64	153
Change in inventories		(12,670)	(760)	(13,421)	33,214
Purchase of goods		(689)	(3,456)	(9,800)	(45,303)
Professional fee		(4,095)	(964)	(7,812)	(4,142)
Employee benefits expenses		(6,973)	(15,298)	(34,936)	(49,585)
Depreciation and amortisation		(429)	(201)	(1,383)	(654)
Other expenses		(9,108)	(7,964)	(21,865)	(16,432)
Share of post-tax result of an associate		-	-	-	175
Loss on deemed disposal of an associate		-	-	-	(6,837)
Loss before income tax	4	(3,599)	(5,484)	(14,152)	(17,422)
Income tax expense	5	(17)	(4)	(24)	(7)
Loss for the period		(3,616)	(5,488)	(14,176)	(17,429)
Other comprehensive expense for the period, net of tax					
Exchange (loss)/gain on translation of financial statements of foreign operations		(265)	(728)	(265)	952
Total comprehensive expense for the period		(3,881)	(6,216)	(14,441)	(16,477)

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Loss for the period attributable to:					
Owners of the Company		(3,636)	(5,479)	(14,153)	(17,408)
Non-controlling interests		<u>20</u>	<u>(9)</u>	<u>(23)</u>	<u>(21)</u>
		(3,616)	(5,488)	(14,176)	(17,429)
Total comprehensive expense attributable to:					
Owners of the Company		(3,901)	(6,207)	(14,418)	(16,456)
Non-controlling interests		<u>20</u>	<u>(9)</u>	<u>(23)</u>	<u>(21)</u>
		(3,881)	(6,216)	(14,441)	(16,477)
Loss per share attributable to the owners of the Company during the period					
– Basic and diluted (in HK cents)	6	<u>(0.19) cents</u>	<u>(0.34) cents</u>	<u>(0.76) cents</u>	<u>(1.09) cents</u>

NOTES:

1. GENERAL INFORMATION

Yu Tak International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is 4/F North Cedar House, 41 Cedar Avenue, Hamilton HM12, 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 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 nine months ended 30 September 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.

2. BASIS OF PREPARATION (Continued)

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.

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.

3. REVENUE

Revenue recognized during the period is as follows:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Sales of gold and jewellery products	17,350	3,217	27,171	13,771
Enterprise software products	7,054	5,724	19,673	19,028
Professional services	5,932	12,016	26,189	37,105
Systems integration	—	2,085	1,968	2,085
Total revenue	30,336	23,042	75,001	71,989

4. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Depreciation of property, plant and equipment	429	201	1,383	654

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.

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Current tax				
– Overseas				
Tax for the period	(17)	(4)	(24)	(7)
Total income tax expense	(17)	(4)	(24)	(7)

6. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the nine months ended 30 September 2019 is based on the loss attributable to owners of the Company of HK\$14,153,000 (2018: loss of HK\$17,408,000) and the weighted average number of ordinary shares of 1,863,074,615 (2018: 1,593,320,000) in issue during the period.

Diluted loss per share for the nine months ended 30 September 2019 and 2018 is the same as the basic loss per share as there is no potential dilutive ordinary share in existence during the period.

RESERVES

Movements in reserves (unaudited) for the period ended 30 September 2019 and 2018 were as follows:-

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Fair value reserve (non- recycling) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2019	217,968	(6,361)	(276)	11,926	(291,626)	(68,369)
Issue of ordinary shares	470	-	-	-	-	470
Loss for the period	-	-	-	-	(14,153)	(14,153)
Other comprehensive expense						
Exchange loss on translation of financial statements of foreign operations	-	(265)	-	-	-	(265)
Total comprehensive loss for the period	-	(265)	-	-	(14,153)	(14,418)
At 30 September 2019	218,438	(6,626)	(276)	11,926	(305,779)	(82,317)
At 1 January 2018	220,438	(2,592)	(276)	-	(268,138)	(50,568)
Issue of ordinary shares on right issue	(2,470)	-	-	-	-	(2,470)
Loss for the period	-	-	-	-	(17,408)	(17,408)
Other comprehensive income						
Exchange gain on translation of financial statements of foreign operations	-	952	-	-	-	952
Total comprehensive loss for the period	-	952	-	-	(17,408)	(16,456)
At 30 September 2018	217,968	(1,640)	(276)	-	(285,546)	(69,494)

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: nil).

BUSINESS REVIEW

The Group's loss attributable to owners of the Company for the nine months ended 30 September 2019 was HK\$14,153,000 (2018: loss of HK\$17,408,000).

During the nine months ended 30 September 2019, the Group recorded a turnover of HK\$75,001,000, representing an increase of 4% compared with a turnover of HK\$71,989,000 in the same period of last year.

The sales of gold and jewellery products increased by 97% to HK\$27,171,000 (2018: HK\$13,771,000). On the IT side of the business, sales of enterprise software products increased by 3% to HK\$19,673,000 (2018: HK\$19,028,000) and systems integration business decreased by 6% to HK\$1,968,000 (2018: HK\$2,085,000). Professional service business decreased by 29% to HK\$26,189,000 (2018: HK\$37,105,000).

FUTURE PROSPECTS

The Chinese economy grew by 6.0% year-on-year in the third quarter of 2019, slowing from a 6.2% expansion in the previous quarter that it was the weakest growth rate since 1992. Industrial production and retail sales saw stronger growth but fixed asset investment and trade weakened.

Retail sales in China rose 8.2% year-on-year in the first nine months of the year, mainly contributed to sales of cosmetics, home appliances and telecoms while sales of jewellery remained contracting though in a slower rate (-6.6% year-on-year in September 2019). The slowing down economy, prolonged trade disputes and soaring food prices had crimped consumer discretionary spending and kept jewellery demand under pressure.

FUTURE PROSPECTS (CONTINUED)

On the other hand, gold prices started in 2019 at US\$1,282, and rallied through US\$1,400 in June and further to US\$1,552 in September before it closed at US\$1,472 in the third quarter of 2019 aimed the re-imposition of accommodative fiscal policies, hiking risk of global recessions and political uncertainties. Surge in gold prices and their volatility in the last two quarters had overwhelmed buying desires but further price gains might induce new demand when gold jewellery was recognized by consumers as a hedge against falling Renminbi.

In terms of geographical segmentation over the country, gold jewellery retailers have been moving to lower-tier cities where competition is less fierce. The Group will continue to source and develop innovative and exclusive products, in pure gold or gold with other jewellery materials, to meet the changing consumer demand and also strategically extend distribution of gold products in Tier 3 and Tier 4 cities.

For the IT Products and Services segment, the Group remains interested in other business opportunities including IT and online businesses 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 30 September 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	35,481,000	–	804,157,697 (Note 1)	839,639,697	43.11%
Ms. LI Xia	–	–	804,157,697 (Note 1)	804,157,697	41.29%
Mr. CHEN Yin	–	–	149,455,740 (Note 2)	149,455,740	7.67%

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 September 2019.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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
Sino Eminent Limited	Note 1	Beneficial owner	804,157,697	41.29%
深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd)	Note 1	Interest in a controlled corporation	804,157,697	41.29%
Ocean Expert Investments Limited	Note 1	Interest in a controlled corporation	804,157,697	41.29%
Ms. LI Xia	Note 1	Interest in a controlled corporation	804,157,697	41.29%
Mr. CHONG Yu Ping	Note 1	Interest in a controlled corporation & Beneficial owner	839,639,697	43.11%
Flourish Zone Limited	Note 2	Beneficial owner	149,455,740	7.67%
Mr. CHEN Yin	Note 2	Interest in a controlled corporation	149,455,740	7.67%
CK Hutchison Holdings Limited	Note 3	Interest in controlled corporations	143,233,151	7.35%

Notes:

- (1) 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. In addition Mr. Chong Yu Ping has beneficial interest in another 35,482,000 Shares.

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) 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 149,455,740 shares interested by Flourish Zone Limited.
- (3) 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 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 during the period ended 30 September 2019.

AUDIT COMMITTEE

The audit committee was established on 11 August 2000 with terms of reference in accordance with Rules 5.05(2) and 5.28 to 5.29 and Code C of the Code Provisions 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 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.

REMUNERATION COMMITTEE

The remuneration committee was established on 10 May 2005.

The Company adopts that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference follow the requirement of Code Provisions B.1.2 of the GEM Listing Rules.

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 adopts 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 of the GEM Listing Rules.

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 adopts a code of conduct regarding securities transactions by directors on terms from 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 confirm that they 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 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors, the management shareholders or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
Yu Tak International Holdings Limited
CHONG Yu Ping
Chairman

Hong Kong, 14 November 2019

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*)