



**YU TAK INTERNATIONAL HOLDINGS LIMITED**  
**御德國際控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 08048)**

**ANNOUNCEMENT OF ANNUAL RESULTS (UNAUDITED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED**  
**(THE “STOCK EXCHANGE”)**

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*This announcement, 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 announcement 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 announcement misleading.*

## HIGHLIGHTS

- For the year ended 31 December 2019, the Group's loss attributable to the owners of the Company amounted to HK\$14,680,000 (2018: HK\$23,668,000).
- The Group's revenue for the year ended 31 December 2019 amounted to HK\$98,492,000 (2018: HK\$97,225,000).
- The sales of gold and jewellery products and franchise income contributed to HK\$35,331,000 of the Group's revenue during the year (2018: HK\$16,559,000). The sales of enterprise software products increased by 6% to HK\$27,587,000 (2018: HK\$25,950,000). Revenue on systems integration business dropped by 36% to HK\$2,683,000 (2018: HK\$4,188,000) and revenue on professional services business also dropped by 35% to HK\$32,891,000 (2018: HK\$50,528,000).
- Loss per share for loss attributable to the owners of the Company during the year ended 31 December 2019 was HK0.78 cents (2018: HK1.44 cents).
- The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2019 (2018: HK\$Nil).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 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 year ended 31 December 2019, together with the comparative figures for the corresponding period in 2018, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>98,492</b>	97,225
Other income		<b>699</b>	455
Change in inventories		<b>(9,897)</b>	28,859
Purchase of goods		<b>(20,574)</b>	(45,443)
Professional fees		<b>(18,075)</b>	(5,733)
Employee benefits expense		<b>(42,735)</b>	(69,614)
Depreciation		<b>(2,045)</b>	(852)
Other expenses		<b>(18,098)</b>	(21,415)
Finance costs	6	<b>(53)</b>	–
Net gain on disposal of subsidiaries		<b>308</b>	87
Share of results of a joint venture		<b>(2,510)</b>	–
Loss on deemed acquisition of a subsidiary		<b>(147)</b>	–
Loss on deemed disposal of an associate		–	(6,837)
Loss on disposal of financial assets at fair value through other comprehensive income (“FVOCI”)		–	(117)
Share of results of an associate		–	175
<b>Loss before income tax</b>	7	<b>(14,635)</b>	(23,210)
Income tax expense	8	<b>(79)</b>	(41)
<b>Loss for the year</b>		<b>(14,714)</b>	(23,251)
<b>Other comprehensive income/(expense) for the year</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Financial assets at FVOCI – net movement in fair value reserve (non-recycling)		<b>6,667</b>	(439)
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		<b>(765)</b>	(3,771)
Release of exchange reserve upon disposal of a subsidiary		<b>72</b>	2
		<b>5,974</b>	(4,208)
<b>Total comprehensive expense for the year</b>		<b>(8,740)</b>	(27,459)

	<i>Note</i>	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(14,680)</b>	(23,668)
Non-controlling interests		<b>(34)</b>	417
		<u><b>(14,714)</b></u>	<u>417</u>
		<u><b>(14,714)</b></u>	<u>(23,251)</u>
<b>Total comprehensive (expense)/income attributable to:</b>			
Owners of the Company		<b>(8,706)</b>	(27,876)
Non-controlling interests		<b>(34)</b>	417
		<u><b>(8,740)</b></u>	<u>417</u>
		<u><b>(8,740)</b></u>	<u>(27,459)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share for loss attributable to owners of the Company during the year</b>			
– Basic and diluted	9	<u><b>(0.78)</b></u>	<u>(1.44)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,313</b>	4,218
Right-of-use assets		<b>644</b>	–
Interest in a joint venture		–	–
Other financial assets		<b>18,593</b>	11,926
Development costs		–	–
		<hr/> <b>22,550</b>	<hr/> 16,144
<b>Current assets</b>			
Inventories	<i>11</i>	<b>55,026</b>	64,923
Contract assets		<b>6,141</b>	9,456
Trade receivables	<i>12</i>	<b>5,323</b>	6,524
Other receivables, deposits and prepayments		<b>26,170</b>	26,655
Cash and bank balances		<b>25,994</b>	27,131
		<hr/> <b>118,654</b>	<hr/> 134,689
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>1,076</b>	572
Other payables and accrued charges		<b>6,051</b>	11,566
Contract liabilities		<b>6,763</b>	9,285
Amounts due to directors		<b>9,682</b>	20,785
Lease liabilities		<b>461</b>	–
Tax payable		<b>58</b>	47
		<hr/> <b>24,091</b>	<hr/> 42,255

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 <i>HK\$'000</i>
<b>Net current assets</b>		<u><b>94,563</b></u>	<u>92,434</u>
<b>Total assets less current liabilities</b>		<b>117,113</b>	108,578
<b>Non-current liabilities</b>			
Lease liabilities		<u><b>197</b></u>	<u>–</u>
<b>Net assets</b>		<u><b>116,916</b></u>	<u>108,578</u>
<b>EQUITY</b>			
Share capital	<i>14</i>	<b>194,769</b>	178,269
Reserves		<u><b>(76,497)</b></u>	<u>(68,369)</u>
<b>Equity attributable to owners of the Company</b>		<b>118,272</b>	109,900
<b>Non-controlling interests</b>		<u><b>(1,356)</b></u>	<u>(1,322)</u>
<b>Total equity</b>		<u><b>116,916</b></u>	<u>108,578</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 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 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

These consolidated 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 (“HKASs”) 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 Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

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

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### **New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019**

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### ***HKFRS 16 “Leases”***

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated losses for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a lessee, the Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The discounting effects of refundable rental deposits paid included in other receivables, deposits and prepayments were considered insignificant and no adjustment was made at transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed at 31 December 2018	3,323
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	<u>(2,157)</u>
Operating leases liabilities before discounting	1,166
Discounting using incremental borrowing rate as at 1 January 2019	<u>(64)</u>
Operating leases liabilities	1,102
Extension option reasonably certain to be exercised	<u>267</u>
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	<u><u>1,369</u></u>
Classified as:	
Current lease liabilities	785
Non-current lease liabilities	<u>584</u>
	<u><u>1,369</u></u>

### **Total impact arising from transition to HKFRS 16**

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	<i>HK\$'000</i>
Increase in right-of-use assets	1,369
Increase in lease liabilities	1,369

## Issued but not yet effective HKFRSs

Certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective date not yet determined

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

## 4 REVENUE

The Group's revenue recognised during the year is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of gold and jewellery products	35,082	16,257
Franchise income	249	302
Enterprise software products	27,587	25,950
Systems integration	2,683	4,188
Professional services	32,891	50,528
	<u>98,492</u>	<u>97,225</u>

## 5 SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Jewellery Products: design and sales of gold and jewellery products
- IT Products and Services: provision of information technology services and sales of products including enterprise software products, systems integration and professional services

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

	<b>Jewellery Products HK\$'000</b>	<b>2019 IT Products and Services HK\$'000</b>	<b>Total HK\$'000</b>
Revenue – From external customers	<u>35,331</u>	<u>63,161</u>	<u>98,492</u>
<b>Reportable segment revenue</b>	<b><u>35,331</u></b>	<b><u>63,161</u></b>	<b><u>98,492</u></b>
<b>Reportable segment loss before income tax</b>	<b>(11,852)</b>	<b>(2,783)</b>	<b>(14,635)</b>
Interest income	13	38	51
Depreciation	(1,128)	(917)	(2,045)
Loss on deemed acquisition of a subsidiary	(147)	–	(147)
Gain on disposal of subsidiaries	–	308	308
Expected credit losses (“ECL”) allowance on other receivables	–	(9)	(9)
Share of results of a joint venture	(2,510)	–	(2,510)
Net loss on written off/disposal of property, plant and equipment	(596)	–	(596)
Written off of contract assets	–	(525)	(525)
Finance costs	(6)	(47)	(53)
<b>Reportable segment assets</b>	<b>304,046</b>	<b>62,112</b>	<b>366,158</b>
Additions to non-current segment assets (other than financial instruments) during the year	<u>934</u>	<u>960</u>	<u>1,894</u>
<b>Reportable segment liabilities</b>	<b><u>13,550</u></b>	<b><u>235,692</u></b>	<b><u>249,242</u></b>

	Jewellery Products <i>HK\$'000</i>	2018 IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue – From external customers	16,559	80,666	97,225
<b>Reportable segment revenue</b>	<b>16,559</b>	<b>80,666</b>	<b>97,225</b>
<b>Reportable segment loss before income tax</b>	<b>(12,690)</b>	<b>(10,520)</b>	<b>(23,210)</b>
Interest income	5	28	33
Depreciation	(740)	(112)	(852)
Net gain on disposal of subsidiaries	–	87	87
Loss on disposal of financial assets at FVOCI	–	(117)	(117)
ECL allowance on other receivables	–	(126)	(126)
Share of results of an associate	–	175	175
Loss on deemed disposal of an associate	–	(6,837)	(6,837)
Net loss on written off/disposal of property, plant and equipment	–	(10)	(10)
<b>Reportable segment assets</b>	<b>315,131</b>	<b>60,656</b>	<b>375,787</b>
Additions to non-current segment assets (other than financial instruments) during the year	3,927	43	3,970
<b>Reportable segment liabilities</b>	<b>28,619</b>	<b>238,590</b>	<b>267,209</b>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated statement of financial position are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Reportable segment assets	<b>366,158</b>	375,787
Eliminated upon consolidation	<b>(224,954)</b>	(224,954)
<b>Group assets</b>	<b>141,204</b>	150,833
Reportable segment liabilities	<b>249,242</b>	267,209
Eliminated upon consolidation	<b>(224,954)</b>	(224,954)
<b>Group liabilities</b>	<b>24,288</b>	42,255

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

	<b>Revenue from external customers</b>		<b>Non-current assets</b>	
	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	<b>6,609</b>	6,493	<b>2,694</b>	3,293
PRC and Taiwan	<b>87,996</b>	83,621	<b>979</b>	912
Southeast Asia	<b>3,887</b>	7,111	<b>284</b>	13
	<b>98,492</b>	97,225	<b>3,957</b>	4,218

The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the non-current assets is based on the physical location of the asset in case of property, plant and equipment and right-of-use assets and location of operation in case of interest in a joint venture and development costs.

During the year ended 31 December 2019, HK\$20,275,000 or 21% of the Group's revenue depended on a single customer in the Jewellery Products segment. During the year ended 31 December 2018, HK\$36,999,000 or 38% of the Group's revenue depended on a single customer in the IT Products and Services segment.

## 6 FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance charges on lease liabilities	<b>53</b>	–

## 7 LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Lease charges:		
Land and buildings held under operating leases	–	6,088
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	<u>3,091</u>	<u>–</u>
Total lease charges	<u>3,091</u>	<u>6,088</u>
Depreciation:		
Owned assets	1,135	852
Right-of-use assets	<u>910</u>	<u>–</u>
Total depreciation	<u>2,045</u>	<u>852</u>
Cost of inventories recognised as an expense	30,471	16,584
Cost of services rendered (note (i))	60,810	75,347
ECL allowance on other receivables	9	126
Written off of contract assets	525	–
Net loss on written off/disposal of property, plant and equipment	596	10
Net foreign exchange loss	683	2,015
Auditor's remuneration	<u>835</u>	<u>1,087</u>

*Note:*

- (i) Cost of services rendered included staff costs of HK\$36,921,000 (2018: HK\$62,405,000), which is also included in employee benefits expense.

## 8 INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – Overseas		
Current year	77	144
Under/(Over)-provision in prior years	<u>2</u>	<u>(103)</u>
<b>Total income tax expense</b>	<u><b>79</b></u>	<u><b>41</b></u>

Hong Kong Profits Tax has not been provided as the Group had no assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2019 and 2018.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are subject to PRC Enterprise Income Tax at a rate of 25% during the years ended 31 December 2019 and 2018.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 9 LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the following:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company	<u>14,680</u>	<u>23,668</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares (in thousands)	<u>1,884,402</u>	<u>1,639,424</u>

*Notes:*

- (i) The 1,884,402,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the year ended 31 December 2019 after taking into account the effect of issue of new shares by placing completed during the year.
- (ii) The 1,639,424,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the year ended 31 December 2018 after taking into account the effect of rights issue completed during the year.
- (iii) The diluted loss per share is the same as basic loss per share because there were no dilutive potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

## 10 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2019 (2018: Nil).

## 11 INVENTORIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Gold and jewellery products:</b>		
Work in progress	2	79
Finished goods	53,596	63,362
Packing materials	<u>1,428</u>	<u>1,482</u>
	<u>55,026</u>	<u>64,923</u>

## 12 TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	5,323	6,524
Less: ECL allowance	—	—
	<u>5,323</u>	<u>6,524</u>

Trade receivables for IT Products and Services are due within 0 – 60 days (2018: 0 – 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 comprised mainly cash sales and credit card sales to retail customers and credit sales to franchisees which are due within 0 – 60 days from the date of billing.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	2,212	6,017
31 – 60 days	27	438
61 – 90 days	2,906	—
Over 90 days	178	69
	<u>5,323</u>	<u>6,524</u>

## 13 TRADE PAYABLES

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	1,043	422
Over 90 days	33	150
	<u>1,076</u>	<u>572</u>

## 14 SHARE CAPITAL

	2019		2018	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1 January and 31 December	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January	1,782,690,000	178,269	1,188,460,000	118,846
Rights Issue	–	–	594,230,000	59,423
Issue of ordinary shares by placing (note (i))	<u>165,000,000</u>	<u>16,500</u>	–	–
At 31 December	<u>1,947,690,000</u>	<u>194,769</u>	<u>1,782,690,000</u>	<u>178,269</u>

*Note:*

- (i) During the year ended 31 December 2019, a total of 165,000,000 new ordinary shares were issued at HK\$0.105 per share as a result of completion of placing in May 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2019, the Group's loss attributable to the owners of the Company amounted to HK\$14,680,000 (2018: HK\$23,668,000).

The Group's revenue for the year ended 31 December 2019 amounted to HK\$98,492,000 (2018: HK\$97,225,000).

The sales of gold and jewellery products and franchise income contributed to HK\$35,331,000 of the Group's revenue during the year (2018: HK\$16,559,000). The sales of enterprise software products increased by 6% to HK\$27,587,000 (2018: HK\$25,950,000). Revenue on systems integration business dropped by 36% to HK\$2,683,000 (2018: HK\$4,188,000) and revenue on professional services business also dropped by 35% to HK\$32,891,000 (2018: HK\$50,528,000).

### **OPERATION REVIEW**

According to The National Bureau of Statistics of China, the GDP of China was 6.1% in 2019 that it further declined from 6.6% of 2018 and was the slowest pace since 1990.

Gold jewellery demand fell for the first time in three years. The slowing down economy, prolonged trade disputes and soaring food prices had crimped consumer discretionary spending and kept suppressing the world's biggest gold market. Despite this, the Group's sales of gold jewellery for 2019 had doubled the amount of the preceding year to HK\$35 million. It contributed to the success in readjustment of sales strategies which focused on wholesale businesses in the second half year.

For the IT service segment, scale of businesses further decreased. In late 2019, the management disposed its Shanghai operations, which had been underperforming for some years. Although only a small gain was recognized, it alleviated financial burden brought to the Group by the loss-making operations. The Directors believed that the disposal would not have impact on future operations of the segment.

Besides, the Group had successfully raised equity funds of HK\$17 million in May 2019 by placement of 165,000,000 new ordinary shares under the general mandate granted in the annual general meeting of 4 June 2018. The funds had been applied for overheads of the headquarter and working capital of the Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2019, the Group remained in a strong financial position with cash and bank balances of HK\$25,994,000 (2018: HK\$27,131,000).

The Group monitored its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defined net debt as total debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprised equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. The gearing ratio is not presented, as it was nearly zero (2018: zero).

## **CAPITAL STRUCTURE**

As at 31 December 2019, the Group's issued shares were 1,947,690,000 shares (2018: 1,782,690,000 shares).

## **INVESTMENT, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES**

During the year ended 31 December 2019, the Group disposed a group of two subsidiaries with total consideration of HK\$100,000, resulting in a gain on disposal of subsidiaries amounting to HK\$308,000.

Save as disclosed in this announcement, the Group did not have any other investment and material acquisition and disposal of subsidiaries during the year ended 31 December 2019.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

As at 31 December 2019 and 2018, the Group did not have any material contingent liabilities and capital commitment.

## **SEGMENTAL PERFORMANCE**

For the year ended 31 December 2019, the turnover of the Jewellery Products segment and the IT Products and Services segment amounted to HK\$35,331,000 (2018: HK\$16,559,000) and HK\$63,161,000 (2018: HK\$80,666,000) respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2019, the number of employees of the Group was 103 (2018: 276). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions.

## **FUTURE PROSPECTS**

Gold price per ounce started in 2019 at USD1,282, climbed to USD1,538 in early September, and closed at US\$1,511 at the end of 2019. It further extended gains in early 2020.

On the other hand, demand of gold jewellery in China decreased by 7% to 637 tonnes in 2019. The slowing economy, rising inflation, global trade disputes, climbing gold prices would disturb any attempt of recovery. It was expected that competition among the market participants in China would remain intense in the coming year.

The countrywide outbreak of coronavirus from the beginning of 2020 has further hammered the jewellery market. It is reported that sales of watches and jewelry, apparel, accessories and cosmetics in China has dropped by more than 60% over the last Lunar New Year period. While there are signs that the spreading in China has been under control, the outbreak has developed into a pandemic. China economy, which relies on manufacturing and exports, will be further impeded by wrecked international trade and consumer markets. The economy may take months to pickup but the Group remains optimistic of the recovery of domestic jewellery market towards the second half year.

In respect of market trend, shifting demand from traditional 24K jewellery towards fashionable products with less gold content but higher margins to retailers continues to drive the structural change in the jewellery market. It concurs with the group's business strategies over the last couple of years.

For the IT Products and Services 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 business.

## **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 year ended 31 December 2019.

## **AUDIT COMMITTEE**

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rule 5.05(2) and 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 consolidated results of the Group for the year ended 31 December 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.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

Due to the recent epidemic of the COVID-19 and the curbing and quarantine policies adopted and/or implemented by the Chinese government, Grant Thornton Hong Kong Limited, the auditor of the Company, encountered significant practical difficulties in compiling its report as it was unable to go to certain locations of the Company for performing audit work. Accordingly, it was unable to complete the audit of the Group's annual results for the year ended 31 December 2019 by 31 March 2020 in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The unaudited annual results contained herein have not yet been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has reviewed the unaudited annual results contained herein.

## **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 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 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 year ended 31 December 2019.

## **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.

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

During the year ended 31 December 2019, 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, 30 March 2020

As at the date of this announcement, 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. NA Xin (*Independent Non-executive Director*)  
Ms. Zhao XiaXia (*Independent Non-executive Director*)

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM") of The Stock Exchange of Hong Kong Limited ("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:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcement" page for at least seven days from the date of its publication and be published and remains on the Company's website at <http://www.hkjewelry.net/>.*