



**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**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 2020, the Group's loss attributable to the owners of the Company amounted to HK\$8,717,000 (2019: HK\$14,680,000).
- The Group's revenue for the year ended 31 December 2020 amounted to HK\$49,211,000 (2019: HK\$98,492,000).
- The sales of gold and jewellery products and franchise income contributed to HK\$9,894,000 of the Group's revenue during the year (2019: HK\$35,331,000). Revenue from enterprise software products dropped by 52% to HK\$13,328,000 (2019: HK\$27,587,000). Revenue from professional services also dropped by 21% to HK\$25,989,000 (2019: HK\$32,891,000). Systems integration business had no reported revenue for the year (2019: HK\$2,683,000).
- Loss per share for loss attributable to the owners of the Company during the year ended 31 December 2020 was HK0.45 cents (2019: HK0.78 cents).
- The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2020 (2019: Nil).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of the Company present herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>49,211</b>	98,492
Other income		<b>4,179</b>	699
Change in inventories		<b>6,528</b>	(9,897)
Purchase of goods		<b>(12,856)</b>	(20,574)
Professional fees		<b>(21,563)</b>	(18,075)
Employee benefits expense		<b>(22,477)</b>	(42,735)
Depreciation		<b>(1,658)</b>	(2,045)
Expected credit loss (“ECL”) allowance on trade and other receivables	7	<b>(153)</b>	(9)
Other expenses	7	<b>(8,241)</b>	(18,089)
Write-down of inventories to net realisable value	7	<b>(2,181)</b>	–
Finance costs	6	<b>(32)</b>	(53)
Share of results of a joint venture		–	(2,510)
Loss on remeasurement of previously held equity interest in a joint venture		–	(147)
Net gain on disposal of subsidiaries		–	308
<b>Loss before income tax</b>	7	<b>(9,243)</b>	(14,635)
Income tax expense	8	<b>(81)</b>	(79)
<b>Loss for the year</b>		<b>(9,324)</b>	(14,714)
<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 fair value through other comprehensive income (“FVOCI”) – net movement in fair value reserve (non-recycling)		<b>4,509</b>	6,667
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of financial statements of foreign operations		<b>3,383</b>	(765)
Release of exchange reserve upon disposal of a subsidiary		–	72
<b>Other comprehensive income for the year</b>		<b>7,892</b>	5,974
<b>Total comprehensive expense for the year</b>		<b>(1,432)</b>	(8,740)

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(8,717)</b>	(14,680)
Non-controlling interests		<b>(607)</b>	(34)
		<u><b>(9,324)</b></u>	<u>(14,714)</u>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		<b>(825)</b>	(8,706)
Non-controlling interests		<b>(607)</b>	(34)
		<u><b>(1,432)</b></u>	<u>(8,740)</u>
<b>Loss per share</b>			
Basic and diluted	9	<u><b>(HK0.45 cents)</b></u>	<u>(HK0.78 cents)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,384</b>	3,313
Right-of-use assets		<b>1,326</b>	644
Other financial assets		<b>23,102</b>	18,593
		<u><b>26,812</b></u>	<u>22,550</u>
<b>Current assets</b>			
Inventories	<i>11</i>	<b>61,554</b>	55,026
Contract assets		<b>3,460</b>	6,141
Trade receivables	<i>12</i>	<b>6,144</b>	5,323
Other receivables, deposits and prepayments		<b>19,385</b>	26,170
Cash and bank balances		<b>23,524</b>	25,994
		<u><b>114,067</b></u>	<u>118,654</u>
<b>Current liabilities</b>			
Trade payables	<i>13</i>	<b>2,030</b>	1,076
Other payables and accrued charges		<b>6,335</b>	6,051
Contract liabilities		<b>7,483</b>	6,763
Amounts due to directors		<b>8,088</b>	9,682
Lease liabilities		<b>486</b>	461
Tax payable		<b>101</b>	58
		<u><b>24,523</b></u>	<u>24,091</u>
<b>Net current assets</b>		<u><b>89,544</b></u>	<u>94,563</u>
<b>Total assets less current liabilities</b>		<u><b>116,356</b></u>	<u>117,113</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u><b>872</b></u>	<u>197</u>
<b>Net assets</b>		<u><b>115,484</b></u>	<u>116,916</u>

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>EQUITY</b>			
Share capital	<i>14</i>	<b>194,769</b>	194,769
Reserves		<b>(77,322)</b>	(76,497)
		<hr/>	<hr/>
<b>Equity attributable to owners of the Company</b>		<b>117,447</b>	118,272
<b>Non-controlling interests</b>		<b>(1,963)</b>	(1,356)
		<hr/>	<hr/>
<b>Total equity</b>		<b>115,484</b>	116,916
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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1 GENERAL INFORMATION**

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 GEM of the Stock Exchange.

The Group is 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").

These consolidated financial statements are presented in Hong Kong dollars ("HK\$").

### **2 BASIS OF PREPARATION**

These annual 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 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 financial assets at FVOCI which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in 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 on or after 1 January 2020**

In the current year, the Group has applied for the first time the following 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

#### **Amendments to HKAS 1 and HKAS 8 “Definition of Material”**

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no impact on the Group's consolidated financial statements.

## Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, 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 and related amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>5</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective date not yet determined

<sup>5</sup> Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 June 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of gold and jewellery products	9,876	35,082
Franchise income	18	249
Enterprise software products	13,328	27,587
Systems integration	–	2,683
Professional services	25,989	32,891
	<u>49,211</u>	<u>98,492</u>

### Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product and services lines and geographical market:

	Sales of gold and jewellery products <i>HK\$'000</i>	Franchise income <i>HK\$'000</i>	Enterprise software products <i>HK\$'000</i>	Systems integration <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2020</b>						
<b>Timing of revenue recognition</b>						
At a point in time	9,876	–	–	–	–	9,876
Over time	–	18	13,328	–	25,989	39,335
	<u>9,876</u>	<u>18</u>	<u>13,328</u>	<u>–</u>	<u>25,989</u>	<u>49,211</u>
<b>Geographical markets</b>						
Hong Kong	–	–	6,526	–	–	6,526
PRC and Taiwan	9,876	18	4,999	–	25,989	40,882
Southeast Asia	–	–	1,803	–	–	1,803
	<u>9,876</u>	<u>18</u>	<u>13,328</u>	<u>–</u>	<u>25,989</u>	<u>49,211</u>

	Sales of gold and jewellery products <i>HK\$'000</i>	Franchise income <i>HK\$'000</i>	Enterprise software products <i>HK\$'000</i>	Systems integration <i>HK\$'000</i>	Professional services <i>HK\$'000</i>	Total <i>HK\$'000</i>
2019						
<b>Timing of revenue recognition</b>						
At a point in time	35,082	–	–	2,683	–	37,765
Over time	–	249	27,587	–	32,891	60,727
	<u>35,082</u>	<u>249</u>	<u>27,587</u>	<u>2,683</u>	<u>32,891</u>	<u>98,492</u>
<b>Geographical markets</b>						
Hong Kong	–	–	6,609	–	–	6,609
PRC and Taiwan	35,082	249	17,277	2,683	32,705	87,996
Southeast Asia	–	–	3,701	–	186	3,887
	<u>35,082</u>	<u>249</u>	<u>27,587</u>	<u>2,683</u>	<u>32,891</u>	<u>98,492</u>

The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

## 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.

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

	<b>Jewellery Products HK\$'000</b>	<b>IT Products and Services HK\$'000</b>	<b>Total HK\$'000</b>
<b>2020</b>			
Revenue – From external customers	<u>9,894</u>	<u>39,317</u>	<u>49,211</u>
<b>Reportable segment revenue</b>	<b><u>9,894</u></b>	<b><u>39,317</u></b>	<b><u>49,211</u></b>
<b>Reportable segment (loss)/profit before income tax</b>	<b>(10,694)</b>	<b>1,451</b>	<b>(9,243)</b>
Interest income	10	11	21
Depreciation	(1,207)	(451)	(1,658)
ECL allowance on trade and other receivables	(153)	–	(153)
Net loss on written off/disposal of property, plant and equipment	(244)	(8)	(252)
Finance costs	(18)	(14)	(32)
Write-down of inventories to net realisable value	<u>(2,181)</u>	<u>–</u>	<u>(2,181)</u>
<b>Reportable segment assets</b>	<b>300,006</b>	<b>65,827</b>	<b>365,833</b>
Additions to non-current segment assets (other than financial instruments) during the year	<u>1,098</u>	<u>680</u>	<u>1,778</u>
<b>Reportable segment liabilities</b>	<b><u>15,890</u></b>	<b><u>234,459</u></b>	<b><u>250,349</u></b>

	Jewellery Products <i>HK\$'000</i>	IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
2019			
Revenue – From external customers	35,331	63,161	98,492
<b>Reportable segment revenue</b>	<b>35,331</b>	<b>63,161</b>	<b>98,492</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 remeasurement of previously held equity interest in a joint venture	(147)	–	(147)
Net gain on disposal of subsidiaries	–	308	308
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	934	962	1,896
<b>Reportable segment liabilities</b>	<b>13,550</b>	<b>235,692</b>	<b>249,242</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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Reportable segment assets	<b>365,833</b>	366,158
Eliminated upon consolidation	<b>(224,954)</b>	(224,954)
<b>Group assets</b>	<b>140,879</b>	141,204
Reportable segment liabilities	<b>250,349</b>	249,242
Eliminated upon consolidation	<b>(224,954)</b>	(224,954)
<b>Group liabilities</b>	<b>25,395</b>	24,288

The Group's non-current assets (other than financial instruments) are divided into the following geographical areas:

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	1,782	2,694
PRC and Taiwan	1,735	979
Southeast Asia	193	284
	<u>3,710</u>	<u>3,957</u>

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.

Revenue from customers which individually contributed over 10% of the Group's revenue during the years ended 31 December 2020 and 2019 is as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer A <sup>1</sup>	N/A*	20,275
Customer B <sup>2</sup>	9,397	N/A*
Customer C <sup>2</sup>	9,119	16,698
Customer D <sup>1</sup>	N/A*	10,018
Customer E <sup>1</sup>	6,251	N/A*
Customer F <sup>2</sup>	4,999	N/A*
	<u>4,999</u>	<u>N/A*</u>

<sup>1</sup> Revenue from Jewellery Products segment.

<sup>2</sup> Revenue from IT Products and Services segment.

\* The corresponding revenue did not individually contribute over 10% of the Group's revenue during the year ended 31 December 2020 or 2019.

## 6 FINANCE COSTS

	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Finance charges on lease liabilities	<u>32</u>	<u>53</u>

## 7 LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation:		
Owned assets	1,091	1,135
Right-of-use assets	567	910
	<hr/>	<hr/>
Total depreciation	<b>1,658</b>	<b>2,045</b>
	<hr/> <hr/>	<hr/> <hr/>
Other expenses:		
Auditor's remuneration	620	835
Net loss on written off/disposal of property, plant and equipment	252	596
Lease charges on short term leases and leases with lease term shorter than 12 months as at 1 January 2019	903	3,091
Legal and professional fee	1,671	5,166
Written off of contract assets	–	525
Net foreign exchange loss	–	683
Other expenses	4,795	7,193
	<hr/>	<hr/>
Total other expenses	<b>8,241</b>	<b>18,089</b>
	<hr/> <hr/>	<hr/> <hr/>
Cost of inventories recognised as an expense, including:	8,509	30,471
Write-down of inventories to net realisable value	2,181	–
Cost of services rendered ( <i>note</i> )	44,040	60,810
ECL allowance on trade and other receivables	153	9
	<hr/>	<hr/>

*Note:* Cost of services rendered included staff costs of HK\$16,615,000 (2019: HK\$36,921,000), which is also included in employee benefits expense.

## 8 INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Overseas		
Current year	14	77
Under-provision in prior years	67	2
	<hr/>	<hr/>
<b>Total income tax expense</b>	<b>81</b>	<b>79</b>
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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 2020 and 2019.

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% for the years ended 31 December 2020 and 2019.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company	<u>8,717</u>	<u>14,680</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares (in thousands)	<u>1,947,690</u>	<u>1,884,402</u>

For the year ended 31 December 2019, the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the Placing in May 2019 (note 14).

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 2020 and 2019.

## 10 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2020 (2019: Nil).

## 11 INVENTORIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Gold and jewellery products:</b>		
Work in progress	–	2
Finished goods	61,024	53,596
Packing materials	<u>530</u>	<u>1,428</u>
	<u>61,554</u>	<u>55,026</u>

## 12 TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	6,297	5,323
Less: ECL allowance	<u>(153)</u>	<u>–</u>
	<u><b>6,144</b></u>	<u><b>5,323</b></u>

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

Trade receivables for IT Products and Services are due within 0 – 60 days (2019: 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 to retail customers and credit sales to franchisees and wholesalers which are due within 0 – 90 days (2019: 0 to 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	6,001	2,212
31 – 60 days	32	27
61 – 90 days	87	2,906
Over 90 days	<u>24</u>	<u>178</u>
	<u><b>6,144</b></u>	<u><b>5,323</b></u>

The movement in the ECL allowance of trade receivables is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at 1 January	–	–
ECL allowance recognised during the year	<u>153</u>	<u>–</u>
Balance at 31 December	<u><b>153</b></u>	<u><b>–</b></u>

### 13 TRADE PAYABLES

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2019: 30 to 60 days). Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	<b>2,030</b>	1,043
Over 90 days	–	33
	<u><b>2,030</b></u>	<u>1,076</u>

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

### 14 SHARE CAPITAL

	<b>2020</b>		2019	
	<b>Number of shares</b>	<i>HK\$'000</i>	Number of shares	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each				
At 1 January and 31 December	<u><b>5,000,000,000</b></u>	<u><b>500,000</b></u>	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January	<b>1,947,690,000</b>	<b>194,769</b>	1,782,690,000	178,269
Issue of ordinary shares by Placing (note)	<u>–</u>	<u>–</u>	<u>165,000,000</u>	<u>16,500</u>
At 31 December	<u><b>1,947,690,000</b></u>	<u><b>194,769</b></u>	<u>1,947,690,000</u>	<u>194,769</u>

*Note:* On 8 May 2019, the Company entered into an agreement for the placing of up to an aggregate of 165,000,000 new ordinary shares to not less than six placees at a price of HK0.105 per share. On 21 May 2019, the conditions set out in the placing agreement was fulfilled and the placing were completed, in which 165,000,000 shares were placed at HK\$0.105 per share (the “Placing”). The net proceeds of HK\$17,064,000 (after deduction of the Placing commission and other expenses of HK\$261,000 from the gross proceeds of HK\$17,325,000) raised from the Placing were credited to the share capital and share premium account of the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2020, the Group's loss attributable to the owners of the Company amounted to HK\$8,717,000 (2019: HK\$14,680,000).

The Group's revenue for the year ended 31 December 2020 amounted to HK\$49,211,000 (2019: HK\$98,492,000).

The sales of gold and jewellery products and franchise income contributed to HK\$9,894,000 of the Group's revenue during the year (2019: HK\$35,331,000). Revenue from enterprise software products dropped by 52% to HK\$13,328,000 (2019: HK\$27,587,000). Revenue from professional services also dropped by 21% to HK\$25,989,000 (2019: HK\$32,891,000). Systems integration business had no reported revenue during the year (2019: HK\$2,683,000).

### **OPERATION REVIEW**

The outbreak of COVID-19 at the beginning of 2020 rapidly spread over the country that business activities were put to a halt after the Chinese New Year holidays. The economy contracted by 6.8% year-on-year in Q1. Following the implementation of strict social activity restrictions, the epidemic was contained and the economy rebounded from Q2. According to the National Bureau of Statistics of China, China's GDP managed a growth 2.3% in 2020, although at a much slower rate than 6.1% in 2019 and 6.6% in 2018.

Gold price per ounce started in 2020 at United States dollar ("US\$") 1,511, climbed to its record high of US\$2,070 and closed at US\$1,887 that a gain of 25% was recorded. In China, while Renminbi ("RMB") appreciated in the year and offset some of the gain, the local gold price in RMB showed a milder gain of 14.6%.

When all luxury product markets in China were impacted, there was no exception for the gold and jewellery market. According to the World Gold Council, demand of jewellery fell by 65% y-o-y in Q1 2020. Demand started to recover since Q2 and its decline narrowed in Q3 but the full year demand remained dipped by 35% to 416 tonnes, the lowest annual total for China since 2009.

The Group had adjusted the business strategies from retails to wholesale since 2019. As the market started to recover, the retailers tended to reduce their inventories. Wholesales businesses were not benefited until the second half year when the retail sales were gaining momentum. The Group resumed sales in Q4 2020 accordingly.

On the other hand, income from IT products and Services segment also dropped but it represented 80% of total revenue of the year since the segment's businesses were less susceptible to the impacts of economy shutdown and social distancing policies.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2020, the Group remained in a strong financial position with cash and bank balances of HK\$23,524,000 (2019: HK\$25,994,000).

As at 31 December 2020, the Group's issued shares were 1,947,690,000 shares (2019: 1,947,690,000 shares).

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 (2019: zero).

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

Saved as disclosed in this announcement, the Group did not have any other significant investment and material acquisition and disposal of subsidiaries during the year ended 31 December 2020.

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.

## **CONTINGENT LIABILITIES AND CAPITAL COMMITMENT**

As at 31 December 2020, the Group did not have any material contingent liabilities and capital commitment (2019: Nil).

## **PLEDGE OF ASSETS**

The Group did not have any mortgage or charge over its assets as at 31 December 2020 and 2019.

## **SEGMENTAL PERFORMANCE**

For the year ended 31 December 2020, the revenue from the Jewellery Products segment and the IT Products and Services segment amounted to HK\$9,894,000 (2019: HK\$35,331,000) and HK\$39,317,000 (2019: HK\$63,161,000) respectively.

## **FOREIGN CURRENCY RISK**

The Group does not have significant exposure on foreign currency risk. The functional currencies of the Group's entities are principally denominated in HK\$ and RMB. The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the respective Group entities such as US\$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, the Group had no significant subsequent event.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the number of employees of the Group was 46 (2019: 103). 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 prices will be generally supported by continuing low interest rates in 2021. It is believed that global economic growth will recover from its dismal performance of 2020. However, further gains in gold price will be limited unless political risks resume and undercut demand for US dollars.

Given the positive link between economic growth and demand, gold jewellery demand of China will continue to improve in 2021. It is expected that China's economy will maintain its strength and consumer disposable income will grow even faster. Chinese policy makers have positioned domestic consumption as a priority in coming years. Having experienced the strong sales in the last few months of 2020, market participants are optimistic and keen on raising their inventory.

While retailers with weak brand value and problematic cash flows have left the market, the industry will be in a much healthier position. In terms of product segments, the heritage gold jewellery products which has performed strongly in 2020 among high-end consumers whose are less impacted will continue to dominate the market. Younger buyers with lower budget gravitate towards lighter, more affordable and trendier, lightweight gold jewellery in modern designs.

The Group is optimistic of the gold jewellery market of China. Aside from the traditional businesses, the Group is exploring different on-line sales models. The Group has started allied with certain emerging on-line jewellery retailers of major platforms in China. These new businesses may make some good contributions to the sales revenue of 2021. Since effectiveness of these attempts still needs to be observed, the Group will keep tracking the market carefully and develop new distribution channels for boosting sales.

For the IT Products and Services segment, the Group will keep looking for 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 2020.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certificate Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this preliminary announcement.

## **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 audited consolidated results of the Group for the year ended 31 December 2020 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.

## **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 2020.

## **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 2020, 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, 31 March 2021

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 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/>.*