

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

*(formerly known as Hong Kong Jewellery Holding Limited)*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 08048)**

**RESULTS ANNOUNCEMENT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 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 the Growth Enterprise Market 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 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 2016, the Group's loss attributable to the owners of the Company amounted to HK\$42,763,000 (2015: HK\$28,467,000).
- The Group's revenue for the year ended 31 December 2016 amounted to HK\$104,367,000 (2015: HK\$174,741,000).
- The sales of gold and jewellery products and franchise income contributed to HK\$19,472,000 of the Group's revenue during the year (2015: HK\$35,240,000). The sales of enterprise software products dropped by 46% to HK\$39,799,000 (2015: HK\$74,203,000). Revenue on systems integration business decreased by 53% to HK\$6,386,000 (2015: HK\$13,633,000) while revenue on professional services business decreased by 25% to HK\$38,710,000 (2015: HK\$51,665,000).
- Loss per share for loss attributable to the owners of the Company during the year ended 31 December 2016 was HK3.60 cents.
- The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2016 (2015: HK\$Nil).

## RESULTS

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 2016, together with the comparative figures for the corresponding period in 2015, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Revenue</b>	4	<b>104,367</b>	174,741
Other income	5	<b>2,280</b>	5,353
Change in inventories		<b>(5,912)</b>	15,571
Purchase of goods		<b>(13,656)</b>	(61,668)
Professional fee		<b>(17,723)</b>	(19,239)
Employee benefits expense		<b>(85,520)</b>	(111,456)
Depreciation and amortisation		<b>(2,312)</b>	(3,675)
Impairment loss on property, plant and equipment		<b>(2,891)</b>	–
Other expenses		<b>(22,671)</b>	(30,760)
Finance costs	6	<b>(176)</b>	(368)
Share of result of an associate		<b>(1,651)</b>	(1,490)
		<hr/>	<hr/>
<b>Loss before income tax</b>	7	<b>(45,865)</b>	(32,991)
Income tax expense	8	<b>(390)</b>	(1,566)
		<hr/>	<hr/>
<b>Loss for the year</b>		<b>(46,255)</b>	(34,557)
		<hr/>	<hr/>
<b>Other comprehensive expense for the year, after tax*</b>			
Items that will be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		<b>(2,351)</b>	(5,178)
		<hr/>	<hr/>
<b>Total comprehensive expense for the year</b>		<b>(48,606)</b>	(39,735)
		<hr/>	<hr/>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(42,763)</b>	(28,467)
Non-controlling interests		<b>(3,492)</b>	(6,090)
		<hr/>	<hr/>
		<b>(46,255)</b>	(34,557)
		<hr/>	<hr/>

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		(45,247)	(33,559)
Non-controlling interests		<u>(3,359)</u>	<u>(6,176)</u>
		<u><b>(48,606)</b></u>	<u>(39,735)</u>
		<i>HK cents</i>	<i>HK cents</i>

**Loss per share for loss attributable to owners of  
the Company during the year**

– Basic and diluted	9	<u>(3.60)</u>	<u>(2.40)</u>
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\* There is no tax effect on the component of other comprehensive expense for the years ended 31 December 2016 and 2015.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>913</b>	6,562
Interest in an associate		<b>17,494</b>	40,051
Available-for-sale financial assets		–	–
Goodwill		–	–
Development costs	<i>12</i>	–	–
Deferred tax assets		–	–
		<u><b>18,407</b></u>	<u>46,613</u>
<b>Current assets</b>			
Inventories	<i>13</i>	<b>37,994</b>	43,906
Amounts due from customers for contract work		<b>4,767</b>	25,842
Trade receivables	<i>14</i>	<b>14,016</b>	23,686
Other receivables, deposits and prepayments		<b>17,072</b>	22,413
Cash and cash equivalents		<b>24,507</b>	33,563
		<u><b>98,356</b></u>	<u>149,410</u>
Assets of a disposal company classified as held for sale	<i>15(a)</i>	<u><b>33,027</b></u>	–
		<u><b>131,383</b></u>	<u>149,410</u>
<b>Current liabilities</b>			
Trade payables	<i>16</i>	<b>566</b>	24,404
Other payables and accrued charges		<b>25,311</b>	29,885
Borrowings	<i>17</i>	–	4,098
Amounts due to customers for contract work		<b>3,015</b>	3,277
Amounts due to directors		<b>15,046</b>	9,552
Tax payables		–	750
		<u><b>43,938</b></u>	<u>71,966</u>
Liabilities of a disposal company classified as held for sale	<i>15(b)</i>	<u><b>30,401</b></u>	–
		<u><b>74,339</b></u>	<u>71,966</u>

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Net current assets</b>	<u>57,044</u>	<u>77,444</u>
<b>Total assets less current liabilities</b>	<u>75,451</u>	<u>124,057</u>
<b>Net assets</b>	<u><u>75,451</u></u>	<u><u>124,057</u></u>
<b>EQUITY</b>		
Share capital	118,846	118,846
Reserves	<u>(38,747)</u>	<u>6,776</u>
<b>Equity attributable to owners of the Company</b>	<b>80,099</b>	125,622
<b>Non-controlling interests</b>	<u>(4,648)</u>	<u>(1,565)</u>
<b>Total equity</b>	<u><u>75,451</u></u>	<u><u>124,057</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Equity attributable to owners of the Company					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Exchange reserve* HK\$'000	Capital reserve* HK\$'000	Accumulated losses* HK\$'000			
Balance at 1 January 2015	118,846	220,438	6,418	-	(186,521)	159,181	4,611	163,792
Loss for the year	-	-	-	-	(28,467)	(28,467)	(6,090)	(34,557)
Other comprehensive expense								
Exchange loss on translation of financial statements of foreign operations	-	-	(5,092)	-	-	(5,092)	(86)	(5,178)
Total comprehensive expense for the year	-	-	(5,092)	-	(28,467)	(33,559)	(6,176)	(39,735)
<b>Balance at 31 December 2015 and 1 January 2016</b>	<b>118,846</b>	<b>220,438</b>	<b>1,326</b>	<b>-</b>	<b>(214,988)</b>	<b>125,622</b>	<b>(1,565)</b>	<b>124,057</b>
Acquisition of additional interests in a subsidiary	-	-	-	(276)	-	(276)	276	-
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(276)</b>	<b>-</b>	<b>(276)</b>	<b>276</b>	<b>-</b>
Loss for the year	-	-	-	-	(42,763)	(42,763)	(3,492)	(46,255)
Other comprehensive expense								
Exchange loss on translation of financial statements of foreign operations	-	-	(2,484)	-	-	(2,484)	133	(2,351)
Total comprehensive expense for the year	-	-	(2,484)	-	(42,763)	(45,247)	(3,359)	(48,606)
<b>Balance at 31 December 2016</b>	<b>118,846</b>	<b>220,438</b>	<b>(1,158)</b>	<b>(276)</b>	<b>(257,751)</b>	<b>80,099</b>	<b>(4,648)</b>	<b>75,451</b>

\* These reserve accounts comprise the Group's deficit of HK\$38,747,000 (2015: Group's reserves of HK\$6,776,000) in the consolidated statement of financial position.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **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 Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited.

The Company, an investment holding company, and its subsidiaries are principally engaged in the development, sale and implementation of enterprise software and the 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 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 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 Growth Enterprise Market 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 financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale financial assets which are stated at fair values. A disposal company held for sale is stated at the lower of carrying amount and fair value less costs to sell.

It should be noted that accounting estimates and assumptions are used in the preparation of the 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 OR AMENDED HKFRSs

#### **New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2016**

In the current year, the Group has applied for the first time the following amendments to 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 2016:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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.

#### ***Amendments to HKAS 1: Disclosure Initiative***

The Amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. Furthermore, the Amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Specifically, the Amendments clarify (i) the materiality requirements in HKAS 1, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information; (ii) clarify that HKAS 1's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated; (iii) add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position; (iv) clarify that entities have flexibility as to the order in which they present the notes, but also emphasis that understandability and comparability should be considered by an entity when deciding that order; and (v) remove potentially unhelpful guidance in HKAS 1 for identifying a significant accounting policy.

The Amendments also clarify that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The Amendments have had no material impact on these consolidated financial statements.

## ***Amendments to HKAS 16 and HKAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments introduce a rebuttable presumption to HKAS 38 that the use of revenue-based methods to calculate the amortisation of an intangible asset is not appropriate. This presumption can only be rebutted in the limited circumstances in which the intangible asset is expressed as a measure of revenue or when revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments also prohibit the use of revenue-based methods to calculate the depreciation of property, plant and machinery under HKAS 16.

The amendments have no material impact on these consolidated financial statements as the Group has not used revenue-based methods to calculate the amortisation for its intangible assets and depreciation for its property, plant and equipment.

## ***Annual Improvements to HKFRSs 2012-2014 Cycle***

The amendments contained in this cycle of annual improvements are detailed below:

- (i) HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”: provides guidance when an entity reclassifies either an asset or a disposal group from held for sale to held for distribution (or vice versa), or when held for distribution accounting is discontinued; and clarifies that these types of changes in plans do not result in a new classification but instead lead to the same classification, presentation and measurement requirements for each type of disposal in HKFRS 5. The amendments do not have any impact on the Group.
- (ii) HKFRS 7 “Financial Instruments: Disclosures”: provides additional guidance in identifying the circumstances under which a servicing contract is considered to be ‘continuing involvement’ for the purposes of applying the disclosure requirements for transferred assets. The amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 on offsetting financial assets and financial liabilities is not specifically required for all interim periods, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included. The amendments do not have any impact on the Group.
- (iii) HKAS 19 “Employee Benefits”: requires that the currency and term of the corporate or government bonds used to determine the discount rate for post-employment benefit obligations must be consistent with the currency and estimated term of the obligations. The amendments clarify that the assessment of the depth of the corporate bond market shall be made at the currency-level rather than the country-level. The amendments do not have any impact on the Group.

## **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.

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the impact of these HKFRSs but are not yet in the position to state whether they would have any material impact on the Group’s financial statements.

Information on these new pronouncements that are expected to be relevant to the Group's financial statements is provided below:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 7 Disclosure Initiative	1 January 2017
Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15 Clarifications to HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

#### **4 REVENUE AND TURNOVER**

Revenue from external customers from the Group's principal activities recognised during the year is as follows:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of gold and jewellery products	<b>19,011</b>	34,700
Franchise income	<b>461</b>	540
Enterprise software products	<b>39,799</b>	74,203
Systems integration	<b>6,386</b>	13,633
Professional services	<b>38,710</b>	51,665
	<hr/>	<hr/>
<b>Total revenue</b>	<b>104,367</b>	174,741
	<hr/> <hr/>	<hr/> <hr/>

## 5 OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Other revenue</b>		
Interest income	786	1,184
Dividend income from listed equity securities	–	507
Consultancy and management fee income	843	1,968
Others	655	215
	<u>2,284</u>	<u>3,874</u>
<b>Other net (loss)/income</b>		
Fair value gain on financial assets at fair value through profit or loss	–	1,477
Net (loss)/gain on disposal of property, plant and equipment	(4)	2
	<u>(4)</u>	<u>1,479</u>
	<u><u>2,280</u></u>	<u><u>5,353</u></u>

## 6 FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest charges on:		
Other borrowings, wholly repayable within five years	<u>176</u>	<u>368</u>

## 7 LOSS BEFORE INCOME TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of inventories sold	19,568	46,097
Cost of services rendered	84,474	104,021
Depreciation	2,312	3,675
Auditors' remuneration	921	987
Provision for and written down of inventories to net realisable value	1,312	647
Impairment loss on property, plant and equipment	2,891	–
Net loss/(gain) on disposal/written off of property, plant and equipment	4	(2)
Fair value gain on financial assets at fair value through profit or loss	–	(1,477)
Reversal of provision for and write down of inventories	(2,117)	–
Loss on disposal of a subsidiary	–	258
Net exchange loss	739	362
Operating lease charges on land and buildings	5,916	7,786

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the year as the companies within the Group had no estimated assessable profit in Hong Kong (2015: Nil). Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group in the PRC are liable to PRC enterprise income tax at a rate of 25% during the years ended 31 December 2016 and 2015. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
– Overseas		
Current year	390	420
Deferred tax		
Current year	–	1,146
<b>Total income tax expense</b>	<b>390</b>	<b>1,566</b>

## 9 LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of HK\$42,763,000 (2015: HK\$28,467,000) and the weighted average number of ordinary shares of approximately 1,188,460,000 (2015: 1,188,460,000) in issue during the year.

Diluted loss per share for the years ended 31 December 2016 and 2015 equate the basic loss per share as there is no potential dilutive ordinary share in existence during the years.

## 10 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>2016 IT Products and Services HK\$'000</b>	<b>Total HK\$'000</b>
Revenue			
– From external customers	<u>19,472</u>	<u>84,895</u>	<u>104,367</u>
<b>Reportable segment revenue</b>	<b><u>19,472</u></b>	<b><u>84,895</u></b>	<b><u>104,367</u></b>
<b>Reportable segment loss before income tax</b>	<b>(13,974)</b>	<b>(31,891)</b>	<b>(45,865)</b>
Interest income	3	783	786
Depreciation	(1,386)	(926)	(2,312)
Net loss on disposal of property, plant and equipment	–	(4)	(4)
Finance costs	–	(176)	(176)
Provision for and write down of inventories to net realisable value	(1,312)	–	(1,312)
Impairment loss on property, plant and equipment	(1,657)	(1,234)	(2,891)
Reversal of provision for and write down of inventories	2,117	–	2,117
Share of result of an associate	–	(1,651)	(1,651)
<b>Reportable segment assets</b>	<b>279,086</b>	<b>62,631</b>	<b>341,717</b>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	<u>150</u>	<u>623</u>	<u>773</u>
<b>Reportable segment liabilities</b>	<b><u>22,415</u></b>	<b><u>246,477</u></b>	<b><u>268,892</u></b>

	Jewellery Products <i>HK\$'000</i>	2015 IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
– From external customers	35,240	139,501	174,741
<b>Reportable segment revenue</b>	<b>35,240</b>	<b>139,501</b>	<b>174,741</b>
<b>Reportable segment loss before income tax</b>	<b>(12,269)</b>	<b>(20,722)</b>	<b>(32,991)</b>
Interest income	21	1,163	1,184
Depreciation	(1,583)	(2,092)	(3,675)
Net gain on disposal of property, plant and equipment	–	2	2
Fair value gain on financial assets at fair value through profit or loss	–	1,477	1,477
Finance costs	–	(368)	(368)
Provision for and write down of inventories to net realisable value	(647)	–	(647)
Share of result of an associate	–	(1,490)	(1,490)
<b>Reportable segment assets</b>	<b>292,045</b>	<b>128,932</b>	<b>420,977</b>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	77	812	889
<b>Reportable segment liabilities</b>	<b>18,267</b>	<b>278,653</b>	<b>296,920</b>

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

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Reportable segment assets	<b>341,717</b>	420,977
Assets of a disposal company classified as held for sale (note 15(a))	<b>33,027</b>	–
Elimination of inter-segment receivables	<b>(224,954)</b>	(224,954)
<b>Group assets</b>	<b><u>149,790</u></b>	<b><u>196,023</u></b>
Reportable segment liabilities	<b>268,892</b>	296,920
Liabilities of a disposal company classified as held for sale (note 15(b))	<b>30,401</b>	–
Elimination of inter-segment payables	<b>(224,954)</b>	(224,954)
<b>Group liabilities</b>	<b><u>74,339</u></b>	<b><u>71,966</u></b>

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

Place of domicile of customer/location of assets

	<b>Revenue from</b>		<b>Non-current assets</b>	
	<b>external customers</b>			
	<b>2016</b>	2015	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>6,517</b>	56,347	<b>17,507</b>	40,075
PRC and Taiwan	<b>88,520</b>	108,211	<b>876</b>	6,523
South East Asia	<b>9,330</b>	10,183	<b>24</b>	15
	<b><u>104,367</u></b>	<u>174,741</u>	<b><u>18,407</u></b>	<u>46,613</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset.

During 2016, HK\$29,063,000 or 28% of the Group's revenues depended on a single customer from the IT products and services in the PRC and Taiwan segment.

During 2015, none of the Group's customers contributed 10% or more of the Group's total revenue.

## 11 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2016 (2015: HK\$Nil).

## 12 DEVELOPMENT COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>At 1 January</b>		
Cost	7,052	37,376
Accumulated amortisation	<u>(7,052)</u>	<u>(37,376)</u>
Net book amount	<u>          -</u>	<u>          -</u>
<b>Year ended 31 December</b>		
Opening net book amount	-	-
Disposal of a subsidiary	-	-
Amortisation charge	-	-
Written off	<u>-</u>	<u>-</u>
Closing net book amount	<u>          -</u>	<u>          -</u>
<b>At 31 December</b>		
Cost	7,052	7,052
Accumulated amortisation	<u>(7,052)</u>	<u>(7,052)</u>
Net book amount	<u>          -</u>	<u>          -</u>

During the year ended 31 December 2015, costs of developments cost amounting to HK\$30,324,000 was fully offset by the related accumulated amortization upon disposal of a subsidiary.

The development costs represented all direct costs incurred in the development of enterprise software products and were fully amortised in prior years.

## 13 INVENTORIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Jewellery Products</b>		
Raw materials	2,488	999
Work in progress	2,698	35
Finished goods	<u>32,808</u>	<u>42,872</u>
<b>Total</b>	<u>37,994</u>	<u>43,906</u>

Reversal of provision for and write down of inventories, net amounted to HK\$805,000 (2015: Provision for and write down of inventories, net amounted to HK\$647,000) was recognised for the year ended 31 December 2016.

## 14 TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Trade receivables</b>		
From third parties	14,115	23,441
From a related party	—	425
	<u>14,115</u>	<u>23,866</u>
Less: provision for impairment of receivables	(99)	(180)
	<u><u>14,016</u></u>	<u><u>23,686</u></u>

Trade receivables from third parties for IT products and services are due within 0 - 90 days (2015: 14 - 60 days) from the date of billing. Trade receivable from a related party is non-interest bearing, unsecured and repayable on demand. 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 are due within 0 - 60 days from the date of billing. 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 at their inception. All trade receivables are expected to be recovered within one year.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	8,614	16,570
31 – 60 days	349	3,860
61 – 90 days	409	1,910
Over 90 days	4,644	1,346
	<u><u>14,016</u></u>	<u><u>23,686</u></u>

The ageing analysis of the Group's trade receivables based on due date is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	<b>5,270</b>	16,683
1 – 90 days past due	<b>4,102</b>	6,285
Over 90 days past due	<b>4,644</b>	718
	<u><b>14,016</b></u>	<u>23,686</u>

As at 31 December 2016 and 2015, trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

#### **15 ASSETS OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE/LIABILITIES OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE**

The Group has decided to dispose of a subsidiary, 北京志鴻英華科技有限公司 (“Excel BJ”), during the year. As at 31 December 2016, the negotiation process with potential buyer is in progress, consequently assets and liabilities are classified as held for sale. Subsequently to the reporting date, on 18 January 2017, the Group has entered into a sale and purchase agreement with an independent third party to dispose of the 65% shareholding equity of Excel BJ.

Assets and liabilities of the disposal company as at 31 December 2016 are as follows:

##### **(a) Assets of a disposal company classified as held for sale**

	<b>2016</b> <i>HK\$'000</i>
Property, plant and equipment	1,038
Amount due from customers for contract work	17,560
Trade and other receivables	8,895
Cash and cash equivalents	<u>5,534</u>
	<u><b>33,027</b></u>

(b) Liabilities of a disposal company classified as held for sale

	<b>2016</b> <i>HK\$'000</i>
Amount due to customers for contract work	21
Trade and other payables	<u>30,380</u>
	<u><u>30,401</u></u>

**16 TRADE PAYABLES**

The Group was granted by its third parties suppliers credit periods ranging from 30 days to 60 days. Trade payable from a related party is unsecured, non-interest bearing and repayable on demand. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	<b>418</b>	11,815
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<b>148</b>	12,589
	<u><b>566</b></u>	<u>24,404</u>

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

**17 BORROWINGS**

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other borrowings from a third party	<u>–</u>	<u>4,098</u>

The other borrowings from a third party was settled as at 31 December 2016.

As at 31 December 2015, the loans borrowed from a third party were unsecured, interest bearing at 12% per annum and repayable within 1 year from the end of the reporting period. The carrying amounts of the amounts due approximate their fair values.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2016, the Group's loss attributable to the owners of the Company amounted to HK\$42,763,000 (2015: HK\$28,467,000).

The Group's revenue for the year ended 31 December 2016 amounted to HK\$104,367,000 (2015: HK\$174,741,000).

The sales of gold and jewellery products and franchise income contributed to HK\$19,472,000 of the Group's revenue during the year (2015: HK\$35,240,000). The sales of enterprise software products dropped by 46% to HK\$39,799,000 (2015: HK\$74,203,000). Revenue on systems integration business decreased by 53% to HK\$6,386,000 (2015: HK\$13,633,000) while revenue on professional services business decreased by 25% to HK\$38,710,000 (2015: HK\$51,665,000).

### **OPERATION REVIEW**

The year of 2016 remained difficult to the jewellery retail market in China. Rising gold prices for much of the year and slowing down of the domestic economy of China pushed the demand for jewellery to a seven-year low.

The National Bureau of Statistics of China reported that the GDP for the full year of 2016 expanded by 6.7 percent that it was the slowest GDP growth in 26 years subsequent to 6.9 percent of 2015 and 7.3 percent of 2014. The current official GDP target for 2017 was 6.5 percent.

Gold price was highly volatile in 2016. Having risen 25% by the end of September 2016, it relinquished some of its gains in Q4 and still ended the year up at 8%. Although global gold demand gained by 2% to reach a 3-year high of 4,308 tonnes, it contributed to growth in demand of investment and it failed to translate into demand in the jewellery sectors. According to the reports of the China Gold Association, the demand for jewellery in China was, in fact, down by 17% in 2016 hit by consumer uncertainty in a softening economy and rising gold prices.

Sales of the Group's jewellery products relied on the distribution network of franchisees. In 2016, the "Point-To-Area" market penetration strategy remained the main strategy of the Group in developing its franchise businesses. Efforts in enhancing the brand's images and characters by consumer researches and launches of new product series were proofed effective for gaining domestic market share. Besides, it was encouraging to see that some of the franchisees had started to extend their footholds from the first- and second-tier cities to the third- and forth-tier cities strategically. Although there was a number of franchisees who failed to meet their obligations under the franchise agreements had quitted, the management believed that eliminations of uncompetitive franchisees were, in fact, positive to the development of the brand.

For the IT Products and Services segment, size of businesses decreased further in 2016 due to the disposal of interest in a loss-making subsidiary during 2015. During 2016, the operations in China had raised their headcounts aggressively for some new contracts which were, however, either subsequently cancelled or delayed. This led to undue losses in the segment. The management had already ratified the issue and regained control of staff cost before the financial year end date.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2016, the Group remained in a strong financial position with bank balances and cash of HK\$24,507,000 (2015: HK\$33,563,000).

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 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 the net debt was zero. (2015: zero).

## **CAPITAL STRUCTURE**

As at 31 December 2016, the Group's issued shares were 1,188,460,000 shares (2015: 1,188,460,000 shares).

## **INVESTMENT**

As at 31 December 2016, the Group had no investment in the equity securities listed in Hong Kong (2015: HK\$Nil).

## **SEGMENTAL PERFORMANCE**

For the year ended 31 December 2016, the turnover of the Jewellery Product segment and the IT Products and Services segments amounted to HK\$19,472,000 (2015: HK\$35,240,000) and HK\$84,895,000 (2015: HK\$139,501,000) respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2016, the number of employees of the Group was 427 (2015: 435). 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**

The Management believes that the jewellery market of China will be recovering in 2017. The Group will develop its franchise businesses more aggressively by recruitments of brand representatives, further efforts in branding, marketing of signature and exclusive products. Through tight co-operations with the franchisees, both online and offline, the management will strive for raising income and profitability of the business segment.

For the IT Products and Services segment, effective cost controls and market exploration will remain the focuses of the management. Further efforts in enhancement of the organization and businesses are required to raise competitiveness.

Overall, the Group will continue to vigorously promote the development strategy of H.K. JEWELRY while efforts will be made to reduce reliance on the IT Products and Services segment. With effective internal management and adhering to the usual good practice, the management commits to optimize the existing business structure and aggressively seek for new opportunities.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

The Company is committed to the establishment of good corporate governance practices and procedures. The Directors believe that sound and reasonable corporate governance practices are essential for the growth of the Company and for safeguarding the shareholders' interests and the Company's assets. The Company's code of corporate governance practices was adopted with reference to the code provisions of the Corporate Governance Code (the "Code Provisions") contained in Appendix 15 of the GEM Listing Rules to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner. The Company has complied with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules as at 31 December 2016.

According to Code A.2.1 of the Code Provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lin Di ("Mr. Lin") resigned as the chief executive officer of the Company ("Chief Executive Officer") with effect from 30 March 2015 and following his resignation, Ms. Li Xia ("Ms. Li"), the Chairman at the time, was appointed as the Chief Executive Officer. Being aware of the said deviation from Code A.2.1 of the Code Provisions, but in view of the rapid development of the Group, the Board believed that with the support of the management team, vesting the roles of both Chairman and the Chief Executive Officer in the same person would facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, under the supervision by the Board, which comprised of two executive Directors, including Ms. Li, and three independent non-executive Directors, the interests of the Shareholders and Stakeholders were adequately and fairly represented.

The Company has sought to re-comply with Code A.2.1 of the Code Provisions with its best endeavours by identifying and appointing a suitable and qualified candidate to the position of the Chief Executive Officer. Having considered Ms. Li's experiences in the industry, the Company considers it to be more suitable and to the best interests of the Company for Ms. Li to remain as

the Chief Executive Officer. Ms. Li resigned as the Chairman of the Board on 17 February 2016 and Mr. Chong Yu Ping was appointed as the Chairman of the Board on 17 February 2016. Such is in line with the requirement under the Code A.2.1 of the Code Provisions and demonstrated a clear division of responsibilities between the management of the Board and the day-to-day management of the Company's business to ensure a balance of power and authority.

## **AUDIT COMMITTEE**

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.29 of the GEM Listing Rules. The revised terms of reference of the audit committee in accordance with Code C.3.3 of the Code Provisions was adopted in the Board meeting held on 21 March 2012. The audit committee currently comprises three members – Mr. Lam Tin Faat, Ms. Lu Haina 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 Company's financial statements for the year ended 31 December 2016 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange, and disclosures have been fully made.

## **REMUNERATION COMMITTEE**

The remuneration committee was established on 10 May 2005.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The revised terms of reference of the remuneration committee in accordance with Code B.1.2 of the Code Provisions was adopted in the Board meeting held on 21 March 2012.

The remuneration committee is currently comprised of 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 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 revised terms of reference of the nomination committee in accordance with Code A.5.2 of the Code Provisions was adopted in the Board meeting held on 21 March 2012.

The nomination committee is currently comprised of Mr. Lam Tin Faat and Ms. Na Xin, who are both 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 TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the 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 2016.

## **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 to the business of the Group.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **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 2016 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor 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 Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

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

Hong Kong, 17 March 2017

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. LU Haina (*independent non-executive Director*)

Ms. NA Xin (*independent non-executive Director*)

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its posting and on the website of the Company at [www.hkjewelry.net](http://www.hkjewelry.net).*