



YU TAK INTERNATIONAL HOLDINGS LIMITED

御德國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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.

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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, there are no other matters the omission of which would make any statement herein or this announcement misleading.

INTERIM RESULTS ENDED 30 JUNE 2017

The Directors present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2017 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2017

| | Notes | (Unaudited) | | (Unaudited) | |
|--|-------|--------------------|----------|------------------|----------|
| | | Three months ended | | Six months ended | |
| | | 30 June | | 30 June | |
| | | 2017 | 2016 | 2017 | 2016 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 3 | 20,256 | 23,151 | 44,268 | 48,890 |
| Other income | | 154 | 1,227 | 507 | 1,767 |
| Change in inventories | | (1,344) | (900) | (1,119) | (2,959) |
| Purchase of goods | | (1,441) | (5,817) | (6,935) | (6,744) |
| Professional fees | | (1,620) | (3,330) | (3,461) | (7,084) |
| Employee benefits expenses | | (16,484) | (21,029) | (33,226) | (41,751) |
| Depreciation and amortisation | | (15) | (686) | (123) | (978) |
| Other expenses | | (3,752) | (1,902) | (7,928) | (11,107) |
| Finance costs | 6 | – | (88) | – | (176) |
| Gain on disposal of subsidiary | | – | – | 7,427 | – |
| Share of post-tax result of an associate | | 1,461 | (155) | 2,210 | (263) |
| (Loss)/Profit before income tax | 5 | (2,785) | (9,529) | 1,620 | (20,405) |
| Income tax expense | 7 | (288) | (182) | (353) | (269) |
| (Loss)/Profit for the period | | (3,073) | (9,711) | 1,267 | (20,674) |
| Other comprehensive income for the period, net of tax | | – | 11 | 2,877 | 11 |
| Total comprehensive (expense)/ income for the period | | (3,073) | (9,700) | 4,144 | (20,663) |

| | (Unaudited) | | (Unaudited) | |
|---|---------------------------|-----------------------|-------------------------|------------------------|
| | Three months ended | | Six months ended | |
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| <i>Notes</i> | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| (Loss)/Profit for the period attributable to: | | | | |
| Owners of the Company | (2,616) | (8,815) | 1,720 | (18,540) |
| Non-controlling interests | (457) | (896) | (453) | (2,134) |
| | <u>(3,073)</u> | <u>(9,711)</u> | <u>1,267</u> | <u>(20,674)</u> |
| Total comprehensive (expense)/ income attributable to: | | | | |
| Owners of the Company | (2,616) | (8,804) | 1,692 | (18,529) |
| Non-controlling interests | (457) | (896) | 2,452 | (2,134) |
| | <u>(3,073)</u> | <u>(9,700)</u> | <u>4,144</u> | <u>(20,663)</u> |
| (Loss)/Profit per share for the (loss)/ profit attributable to the owners of the Company during the period | | | | |
| – Basic and diluted (in HK cents) | 9 | (0.22) | 0.14 | (1.56) |
| | | <u>(0.22)</u> | <u>0.14</u> | <u>(1.56)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

| | | (Unaudited) 30 June 2017 <i>HK\$'000</i> | (Audited) 31 December 2016 <i>HK\$'000</i> |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>10</i> | 235 | 913 |
| Interest in an associate | | 22,748 | 17,494 |
| | | <u>22,983</u> | <u>18,407</u> |
| Current assets | | | |
| Inventories | | 36,902 | 37,994 |
| Amounts due from customers for contract work | | 7,150 | 4,767 |
| Trade receivables | <i>11</i> | 3,653 | 14,016 |
| Other receivables, deposits and prepayments | | 27,132 | 17,072 |
| Bank balances and cash | | 22,784 | 24,507 |
| | | <u>97,621</u> | <u>98,356</u> |
| Assets of a disposal company classified as held for sale | | – | 33,027 |
| | | <u>97,621</u> | <u>131,383</u> |
| Current liabilities | | | |
| Trade payables | <i>12</i> | 578 | 566 |
| Other payables and accrued charges | | 20,721 | 25,311 |
| Amounts due to customers for contract work | | 2,487 | 3,015 |
| Amounts due to directors | | 17,223 | 15,046 |
| Tax payables | | – | – |
| | | <u>41,009</u> | <u>43,938</u> |
| Liabilities of a disposal company classified as held for sales | | – | 30,401 |
| | | <u>41,009</u> | <u>74,339</u> |
| Net current assets | | <u>56,612</u> | <u>57,044</u> |
| Total assets less current liabilities | | <u>79,595</u> | <u>75,451</u> |
| Net assets | | <u>79,595</u> | <u>75,451</u> |

| | | (Unaudited) | (Audited) |
|---|--------------|--------------------|-----------------|
| | | 30 June | 31 December |
| | | 2017 | 2016 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| EQUITY | | | |
| Share capital | <i>13</i> | 118,846 | 118,846 |
| Reserves | | (37,055) | (38,747) |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 81,791 | 80,099 |
| Non-controlling interests | | (2,196) | (4,648) |
| | | <hr/> | <hr/> |
| Total equity | | 79,595 | 75,451 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

| | Equity attributable to owners of the Company | | | | | | Non-controlling interests | Total equity |
|--|--|----------------|------------------|-----------------|--------------------|-----------------|---------------------------|-----------------|
| | Share capital | Share premium | Exchange reserve | Capital reserve | Accumulated losses | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2017 | 118,846 | 220,438 | (1,158) | (276) | (257,751) | 80,099 | (4,648) | 75,451 |
| Profit for the period | - | - | - | - | 1,720 | 1,720 | (453) | 1,267 |
| Other comprehensive income | | | | | | | | |
| Disposal of a subsidiary | - | - | (28) | - | - | (28) | 2,905 | 2,877 |
| Total comprehensive income for the period | - | - | (28) | - | 1,720 | 1,692 | 2,452 | 4,144 |
| At 30 June 2017 | 118,846 | 220,438 | (1,186) | (276) | (256,031) | 81,791 | (2,196) | 79,595 |
| At 1 January 2016 | 118,846 | 220,438 | 1,326 | - | (214,988) | 125,622 | (1,565) | 124,057 |
| Loss for the period | - | - | - | - | (18,540) | (18,540) | (2,134) | (20,674) |
| Other comprehensive income | - | - | 11 | - | - | 11 | - | 11 |
| Total comprehensive loss for the period | - | - | 11 | - | (18,540) | (18,529) | (2,134) | (20,663) |
| At 30 June 2016 | 118,846 | 220,438 | 1,337 | - | (233,528) | 107,093 | (3,699) | 103,394 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

| | (Unaudited) | |
|---|--------------------------|----------------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cash flows from operating activities | | |
| Profit/Loss before income tax | 1,620 | (20,405) |
| Adjustments:- | | |
| – Share of post-tax result of an associate | (2,210) | 263 |
| – Other non-cash items and net changes in working capital | 9,576 | 1,107 |
| – Gain on disposal of subsidiary | (7,427) | – |
| | <u>1,559</u> | <u>(19,035)</u> |
| Net cash flows from/(used in) operating activities | | |
| Cash flows from/(used in) investing activities | | |
| Interest in an associate | (5,254) | 18,672 |
| Purchase of property, plant and equipment | (23) | (293) |
| Proceed from disposal of subsidiary | 2,000 | – |
| | <u>(3,277)</u> | <u>18,379</u> |
| Net cash from/(used in) investing activities | | |
| Cash flows from financing activities | | |
| Proceeds from borrowings | – | 175 |
| | <u>–</u> | <u>175</u> |
| Cash flows from financing activities | | |
| Net decrease in cash and cash equivalents | (1,718) | (481) |
| Cash and cash equivalents at the beginning of the period | 24,502 | 33,563 |
| Effect on exchange rate changes | – | – |
| | <u>–</u> | <u>–</u> |
| Cash and cash equivalents at the end of the period | <u><u>22,784</u></u> | <u><u>33,082</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

Yu Tak International Holdings Ltd (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 in 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 is an investment holding company. Its principal subsidiaries are engaged in the development, sale and implementation of enterprise software and the provision of systems integration, professional services and Application Service Provider (“ASP”) services, design and sales of gold and jewellery products and investment holding. The Group’s operations are based in Hong Kong and the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements 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 accounting policies adopted by the Group are consistent with financial statements for the year ended 31 December 2016.

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale financial assets and financial assets at fair value through profit or loss which are stated at fair values.

3. REVENUE AND TURNOVER

Revenue from external customers from the Group’s principal activities recognized during the period is as follows:

| | Three months ended | | Six months ended | |
|--------------------------------------|--------------------|---------------|------------------|---------------|
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| Sales of gold and jewellery products | 2,894 | 2,385 | 9,232 | 9,261 |
| Enterprise software products | 6,117 | 10,910 | 12,339 | 19,610 |
| Systems integration | – | 989 | – | 989 |
| Professional services | 11,245 | 8,867 | 22,697 | 19,030 |
| Total revenue | 20,256 | 23,151 | 44,268 | 48,890 |

4. SEGMENT INFORMATION

The executive Directors, being the chief operating decision makers, have identified the Group's two products and service lines as operating segments. Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

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

| | Six months ended 30 June 2017 | | |
|--|---|---|----------------------------------|
| | Jewellery Products <i>HK\$'000</i> | IT Products and Services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Revenue | | | |
| – From external customers | 9,232 | 35,036 | 44,268 |
| Reportable segment revenue | 9,232 | 35,036 | 44,268 |
| Reportable segment loss/profit before income tax | (6,065) | 7,685 | 1,620 |
| Depreciation | (88) | (35) | (123) |
| Finance costs | – | – | – |
| Share of post-tax result of an associate | – | 2,210 | 2,210 |
| Gain on disposal of subsidiary | – | 7,427 | 7,427 |
| Reportable segment assets | 275,737 | 69,820 | 345,557 |
| Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period | – | 23 | 23 |
| Reportable segment liabilities | 25,132 | 240,829 | 265,962 |

| | Six months ended 30 June 2016 | | |
|--|--|--|--------------------------|
| | Jewellery Products <i>HK\$'000</i> | IT Products and Services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Revenue | | | |
| – From external customers | 9,261 | 39,629 | 48,890 |
| Reportable segment revenue | <u>9,261</u> | <u>39,629</u> | <u>48,890</u> |
| Reportable segment loss before income tax | (7,876) | (12,529) | (20,405) |
| Depreciation | (486) | (492) | (978) |
| Finance costs | – | (176) | (176) |
| Share of post-tax result of an associate | – | (263) | (263) |
| Reportable segment assets | 288,991 | 108,868 | 397,859 |
| Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period | <u>15</u> | <u>278</u> | <u>293</u> |
| Reportable segment liabilities | <u>23,090</u> | <u>271,375</u> | <u>294,465</u> |

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

| | 30 June 2017 <i>HK\$'000</i> | 30 June 2016 <i>HK\$'000</i> |
|--|---|------------------------------------|
| Reportable segment assets | 345,557 | 397,859 |
| Elimination of inter-segment receivables | <u>(224,953)</u> | <u>(224,953)</u> |
| Group assets | <u>120,604</u> | <u>172,906</u> |
| | 30 June 2017 <i>HK\$'000</i> | 30 June 2016 <i>HK\$'000</i> |
| Reportable segment liabilities | 265,962 | 294,465 |
| Elimination of inter-segment payables | <u>(224,953)</u> | <u>(224,953)</u> |
| Group liabilities | <u>41,009</u> | <u>69,512</u> |

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

| | Revenue from external customers | | Non-current assets | |
|-----------------|------------------------------------|-----------------|--------------------|-----------------|
| | Six months ended | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 3,256 | 2,827 | 22,751 | 21,839 |
| PRC and Taiwan | 36,789 | 41,055 | 214 | 5,395 |
| South East Asia | 4,223 | 5,008 | 18 | 7 |
| | <u>44,268</u> | <u>48,890</u> | <u>22,983</u> | <u>27,241</u> |

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

| | Three months ended | | Six months ended | |
|---|--------------------|-----------------|------------------|-----------------|
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Depreciation of property, plant and equipment | 15 | 686 | 123 | 978 |
| Interest income | 2 | – | 4 | – |
| Fair value gain on financial assets at fair value through profit or loss | – | – | – | – |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

6. FINANCE COSTS

| | Three months ended | | Six months ended | |
|---|--------------------|-----------------|------------------|-----------------|
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest charges on: | | | | |
| Other interest expense, wholly repayable within five years | – | 88 | – | 176 |
| | <u>–</u> | <u>88</u> | <u>–</u> | <u>176</u> |

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities either incurred tax losses for the respective periods or their estimated assessable profits for the respective periods were wholly absorbed by unrelieved tax losses brought forward from previous years.

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

| | Three months ended | | Six months ended | |
|---------------------------------|--------------------|-------------------|-------------------|-------------------|
| | 30 June | | 30 June | |
| | 2017 | 2016 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Current tax | | | | |
| – Overseas | | | | |
| Tax for the period | <u>288</u> | <u>182</u> | <u>353</u> | <u>269</u> |
| Total income tax expense | <u>288</u> | <u>182</u> | <u>353</u> | <u>269</u> |

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

9. (LOSS)/PROFIT PER SHARE

The calculation of the basic and diluted profit per share for the six months ended 30 June 2017 is based on the profit attributable to owners of the Company of HK\$1,720,000 (2016: loss of HK\$18,540,000) and the weighted average number of ordinary shares of 1,188,460,000 (2016: 1,188,460,000) in issue during the period.

Diluted (loss)/profit per share for the six months ended 30 June 2017 and 2016 equates the basic (loss)/profit per share as there is no potential dilutive ordinary share in existence during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group spent HK\$23,000 (six months ended 30 June 2016: HK\$293,000) on acquisition of property, plant and equipment.

11. TRADE RECEIVABLES

| | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 |
|---|--------------------------------------|---------------------------------|
| Trade receivables | | |
| From third parties | 3,756 | 16,446 |
| Less: provision for impairment of trade receivables | (103) | (180) |
| | <u>3,653</u> | <u>16,266</u> |

Trade receivables from third parties for IT products and services are due within 14 days to 60 days from the date of billing. Trade receivable from a related party is 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 comprise mainly cash sales and credit card sales to retail customers and credit sales to franchisees with 0 – 60 days credit terms.

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, the ageing analysis of the trade receivables was as follows:

| | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 |
|--------------|--------------------------------------|---------------------------------|
| 0 – 30 days | 2,779 | 8,614 |
| 31 – 60 days | 513 | 350 |
| 61 – 90 days | 4 | 408 |
| Over 90 days | 357 | 4,644 |
| | <u>3,653</u> | <u>14,016</u> |

12. TRADE PAYABLES

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

| | 30 June 2017 HK\$'000 | 31 December 2016 HK\$'000 |
|--------------|--------------------------------------|---------------------------------|
| 0 – 30 days | 112 | 418 |
| 31 – 60 days | 17 | – |
| 61 – 90 days | 64 | – |
| Over 90 days | <u>385</u> | <u>148</u> |
| | <u><u>578</u></u> | <u><u>566</u></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.

13. SHARE CAPITAL

| | 30 June 2017 & 31 December 2016 | |
|----------------------------------|--|----------------------------|
| | Number of shares | Amount HK\$'000 |
| Authorised: | | |
| Ordinary shares of HK\$0.10 each | <u>5,000,000,000</u> | <u>500,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.10 each | <u>1,188,460,000</u> | <u>118,846</u> |

14. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with connected and/or related parties:

| Connected and/or related parties | Nature of transactions | Six months ended | |
|--|---|------------------|----------|
| | | 2017 | 2016 |
| | | HK\$'000 | HK\$'000 |
| Companies in which directors of the Company have interests | | | |
| – Shenzhen City Zhong Chuang Union Investment Company Limited* (“Zhong Chuang”) (note a) | Sales of gold and jewellery products | – | – |
| – Shenzhen Yihua Jewellery Company Limited* (“Shenzhen Yihua”) (note b) | Operating lease charges on land and building | 1,152 | 990 |
| Associate | | | |
| – Excel Technology International (Hong Kong) Limited (“Excel HK”) (note c) | Professional fee received | 15,676 | 14,341 |
| | Professional fee paid | 3,171 | 4,494 |
| | Purchase of complementary hardware and software | 27 | 928 |
| | Administrative expense reimbursement (no paid) | 480 | 360 |

Notes:

- (a) Zhong Chuang is owned as to 81% by the brother of Ms. Li Xia, an executive Director.
- (b) Shenzhen Yihua is a shareholder of the Company as at 31 December 2016.
- (c) Excel HK has become an associate since 27 May 2015 and is ultimately 50% owned by Ms. Zee Chan Mei Chu, Peggy, a director of the Company's subsidiaries.
- (d) The above related party transactions also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The disclosures required by Chapter 20 of the GEM Listing Rules are provided in the Directors' Report contained in the Company's annual report 2016 dated 30 March 2017.
- (e) Sales to or purchases from the connected and/or related parties stated above were conducted in the Group's normal course of business and at mutually agreed prices and terms.

* The English names of the PRC companies are translation of their respective Chinese names included for information only and are not their official names.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's profit attributable to owners of the Company for the six months ended 30 June 2017 was HK\$1,720,000, comparing with a loss of HK\$18,540,000 in the same period of 2016.

During the six months ended 30 June 2017, the Group recorded a turnover of HK\$44,268,000, representing a decrease of approximately 10% compared with a turnover of HK\$48,890,000 in the same period of last year.

The sales of gold and jewellery products amounted to HK\$9,232,000 (2016: HK\$9,261,000). For the IT products and Services segment, sales of enterprise software products decreased by approximately 37% to HK\$12,339,000 (2016: HK\$19,610,000). Professional service business increased by approximately 19% to HK\$22,697,000 (2016: HK\$19,030,000).

Liquidity and Financial Resources

As of 30 June 2017, the Group was in a financial position with cash and cash equivalents of HK\$22,784,000 (31 December 2016: HK\$33,082,000).

The Group monitors its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. As of 30 June 2017 and 31 December 2016, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group was zero.

Capital Structure

The Group's outstanding issued shares were 1,188,460,000 shares as at 30 June 2017.

Segmental Performances

For the six months ended 30 June 2017, the Jewellery Products business's turnover was HK\$9,232,000, approximately remain unchanged as compared with the same period of last year (2016: HK\$9,261,000). The IT Products and Services business's turnover was HK\$35,036,000, decreased by approximately 12% as compared with the same period of last year (2016: HK\$39,629,000).

Employees

The total number of employees as of 30 June 2017 was 307 (Beginning of 2017: 427). The significant decrease was mainly resulted from the exclusion of a subsidiary due to loss of control during the period.

Outlook for the Second Half of 2017

The management believes that recovery of the jewellery market will become more observable in the second half of 2017. Gold jewellery demand has been negatively affected by the slowing economic environment as well as by changing consumer tastes. In response to the changing tastes and increasingly competitive market environment, the management will further enhance the brand competition by strategic investment in designs and marketing of exclusive signature products and recruitments of appropriate brand representatives. 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. Following the disposal of a continued loss-making subsidiary in early 2017, the operating result of the segment has already showed substantial improvement. The management is determined to further streamline the organization structures and explore new businesses.

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.

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

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK\$0.10 each of the Company

| Name of Director | Number of ordinary shares held | | | Total | Percentage of the issued share capital of the Company |
|-------------------|--------------------------------|----------------|--------------------------------|-------------|---|
| | Beneficial Owner | Held by family | Held by controlled corporation | | |
| Mr. CHONG Yu Ping | – | – | 304,815,204 (Note 1) | 304,815,204 | 25.65% |
| Ms. LI Xia | – | – | 304,815,204 (Note 1) | 304,815,204 | 25.65% |
| Mr. CHEN Yin | – | – | 110,303,827 (Note 2) | 110,303,827 | 9.28% |

Notes:

- (1) These shares were held by Sino Eminent Limited. Sino Eminent Limited, a company incorporated in the British Virgin Islands, is owned as to 25% by Ocean Expert Investments Limited and 75% by Shenzhen Yihua Jewelry Co., Ltd ("Shenzhen Yihua"), a company incorporated in the PRC which is held as to 80% by Mr. Chong Yu Ping. Accordingly, Mr. Chong Yu Ping is deemed to be interested in 304,815,204 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Mr. Chong Yu Ping through his shareholding in Shenzhen Yihua. Ocean Expert Investments Limited is a limited company incorporated in the British Virgin Islands which is wholly owned by Ms. Li Xia. Ms. Li Xia is deemed to be interested in 304,815,204 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Ms. Li Xia through her shareholding in Ocean Expert Investments Limited and through her acting as the sole director of Sino Eminent Limited.
- (2) These shares were held by Flourish Zone Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chen Yin.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2017.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

| Name of Shareholder | <i>Notes</i> | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|--|--------------|--|---|
| Sino Eminent Limited | <i>1</i> | 304,815,204 | 25.65% |
| 深圳市藝華珠寶首飾股份有限公司 (Shenzhen Yihua Jewelry Co., Ltd) | <i>1</i> | 304,815,204 | 25.65% |
| Ocean Expert Investments Limited | <i>1</i> | 304,815,204 | 25.65% |
| Ms. LI Xia | <i>1</i> | 304,815,204 | 25.65% |
| Mr. CHONG Yu Ping | <i>1</i> | 304,815,204 | 25.65% |
| Flourish Zone Limited | <i>1</i> | 110,303,827 | 9.28% |
| Mr. CHEN Yin | <i>1</i> | 110,303,827 | 9.28% |
| Confluence Holdings Limited | <i>2</i> | 91,034,166 | 7.65% |
| Mr. LIN Feifei | <i>2</i> | 91,034,166 | 7.65% |
| CK Hutchison Holdings Limited | <i>3</i> | 143,233,151 | 12.05% |
| Alps Mountain Agent Limited | <i>3</i> | 71,969,151 | 6.06% |
| iBusiness Corporation Limited | <i>3</i> | 67,264,000 | 5.66% |

Notes:

- (1) These shares have been disclosed as Directors' interests held by controlled corporation in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company".
- (2) Confluence Holdings Limited is a company incorporated in the British Virgin Islands and 95% share interest of which are owned by Mr. Lin Feifei. Accordingly, Mr. Lin Feifei is deemed to be interested in the 91,034,166 shares interested by Confluence Holdings Limited.
- (3) CK Hutchison Holdings Limited ("CK Hutchison") is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Alps Mountain Agent Limited ("Alps") and iBusiness Corporation Limited ("iBusiness"). Accordingly, CK Hutchison is deemed to be interested in 143,233,151 shares of the Company of which 71,969,151 shares are held by Alps and 67,264,000 shares are held by iBusiness under the SFO.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 June 2017.

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 30 June 2017.

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 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 unaudited consolidated results of the Group for the six months ended 30 June 2017 have been reviewed by the audit committee, who is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee was established on 10 May 2005.

The Company 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 who is executive Director. Mr. Lam Tin Faat is the chairman of the remuneration committee.

NOMINATION COMMITTEE

The nomination committee was established on 21 March 2012.

The Company 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 who 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 six months ended 30 June 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

Hong Kong, 9 August 2017

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. LU Haina (*Independent Non-executive Director*)
Ms. NA Xin (*Independent Non-executive Director*)

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 the Company's website at www.hkjewelry.net.