



**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)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**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 2017, the Group's loss attributable to the owners of the Company amounted to HK\$10,387,000 (2016: HK\$42,763,000).
- The Group's revenue for the year ended 31 December 2017 amounted to HK\$110,174,000 (2016: HK\$104,367,000).
- The sales of gold and jewellery products and franchise income contributed to HK\$20,997,000 of the Group's revenue during the year (2016: HK\$19,472,000). The sales of enterprise software products dropped by 32% to HK\$26,948,000 (2016: HK\$39,799,000). Revenue on systems integration business increased by 98% to HK\$12,631,000 (2016: HK\$6,386,000) while revenue on professional services business increased by 28% to HK\$49,598,000 (2016: HK\$38,710,000).
- Loss per share for loss attributable to the owners of the Company during the year ended 31 December 2017 was HK0.87 cents (2016: HK3.60 cents).
- The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2017 (2016: HK\$Nil).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017, together with the comparative figures for the corresponding period in 2016, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>110,174</b>	104,367
Other income	6	<b>3,896</b>	2,280
Change in inventories		<b>(1,930)</b>	(5,912)
Purchase of goods		<b>(25,286)</b>	(13,656)
Professional fee		<b>(12,652)</b>	(17,723)
Employee benefits expense		<b>(71,176)</b>	(85,520)
Depreciation		<b>(424)</b>	(2,312)
Impairment loss on property, plant and equipment		–	(2,891)
Other expenses		<b>(30,993)</b>	(22,671)
Finance costs	7	–	(176)
Gain on disposal of a subsidiary	8	<b>12,359</b>	–
Share of results of an associate		<b>5,532</b>	(1,651)
		<hr/>	<hr/>
<b>Loss before income tax</b>	9	<b>(10,500)</b>	(45,865)
Income tax expense	10	<b>(371)</b>	(390)
		<hr/>	<hr/>
<b>Loss for the year</b>		<b>(10,871)</b>	(46,255)
		<hr/>	<hr/>
<b>Other comprehensive income/(expense) for the year</b>			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of financial statements of foreign operations		<b>2,621</b>	(2,351)
Release of exchange reserve upon disposal of a subsidiary		<b>(4,055)</b>	–
		<hr/>	<hr/>
		<b>(1,434)</b>	(2,351)
		<hr/>	<hr/>
<b>Total comprehensive expense for the year</b>		<b>(12,305)</b>	(48,606)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(10,387)</b>	(42,763)
Non-controlling interests		<b>(484)</b>	(3,492)
		<hr/>	<hr/>
		<b>(10,871)</b>	(46,255)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	2016 <i>HK\$'000</i>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		(11,821)	(45,247)
Non-controlling interests		<u>(484)</u>	<u>(3,359)</u>
		<u><b>(12,305)</b></u>	<u><b>(48,606)</b></u>
		<i>HK cents</i>	<i>HK cents</i>
 <b>Loss per share for loss attributable to owners of the Company during the year</b>			
– Basic and diluted	<i>11</i>	<u><b>(0.87)</b></u>	<u><b>(3.60)</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,156</b>	913
Interest in an associate		<b>7,522</b>	17,494
Available-for-sale financial assets		–	–
Development costs		–	–
		<u><b>8,678</b></u>	<u>18,407</u>
<b>Current assets</b>			
Inventories	<i>13</i>	<b>36,064</b>	37,994
Amounts due from customers for contract work		<b>7,707</b>	4,767
Trade receivables	<i>14</i>	<b>13,507</b>	14,016
Other receivables, deposits and prepayments		<b>20,814</b>	17,072
Cash and bank balances		<b>25,675</b>	24,507
		<u><b>103,767</b></u>	<u>98,356</u>
Assets classified as held for sale		–	<u>33,027</u>
		<u><b>103,767</b></u>	<u>131,383</u>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>1,140</b>	566
Other payables and accrued charges		<b>21,934</b>	25,311
Amounts due to customers for contract work		<b>2,217</b>	3,015
Amounts due to directors		<b>20,538</b>	15,046
Tax payable		<b>77</b>	–
		<u><b>45,906</b></u>	<u>43,938</u>
Liabilities directly associated with assets classified as held for sale		–	<u>30,401</u>
		<u><b>45,906</b></u>	<u>74,339</u>

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Net current assets</b>	<u><b>57,861</b></u>	<u>57,044</u>
<b>Total assets less current liabilities</b>	<u><b>66,539</b></u>	<u>75,451</u>
<b>Net assets</b>	<u><u><b>66,539</b></u></u>	<u><u>75,451</u></u>
<b>EQUITY</b>		
Share capital	<b>118,846</b>	118,846
Reserves	<u><b>(50,568)</b></u>	<u>(38,747)</u>
<b>Equity attributable to owners of the Company</b>	<b>68,278</b>	80,099
<b>Non-controlling interests</b>	<u><b>(1,739)</b></u>	<u>(4,648)</u>
<b>Total equity</b>	<u><u><b>66,539</b></u></u>	<u><u>75,451</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	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			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance at 1 January 2016	118,846	220,438	1,326	–	(214,988)	125,622	(1,565)	124,057
Acquisition of additional interests in a subsidiary	–	–	–	(276)	–	(276)	276	–
Transactions with owners	–	–	–	(276)	–	(276)	276	–
Loss for the year	–	–	–	–	(42,763)	(42,763)	(3,492)	(46,255)
Other comprehensive (expense)/income								
– Exchange (loss)/gain 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 and 1 January 2017</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>
Disposal of a subsidiary	–	–	–	–	–	–	3,393	3,393
Transactions with owners	–	–	–	–	–	–	3,393	3,393
Loss for the year	–	–	–	–	(10,387)	(10,387)	(484)	(10,871)
Other comprehensive income/(expense):								
– Exchange gain on translation of financial statements of foreign operations	–	–	2,621	–	–	2,621	–	2,621
– Release of exchange reserve upon disposal of a subsidiary	–	–	(4,055)	–	–	(4,055)	–	(4,055)
Total comprehensive expense for the year	–	–	(1,434)	–	(10,387)	(11,821)	(484)	(12,305)
<b>Balance at 31 December 2017</b>	<b>118,846</b>	<b>220,438</b>	<b>(2,592)</b>	<b>(276)</b>	<b>(268,138)</b>	<b>68,278</b>	<b>(1,739)</b>	<b>66,539</b>

\* These reserve accounts comprise the Group's deficit of HK\$50,568,000 (2016: Group's reserves of HK\$38,747,000) 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 GEM of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the development, sale and implementation of enterprise software, provision of systems integration and professional services, design and sales of gold and jewellery products and investment holding. The Group’s operations are based in Hong Kong and the People’s Republic of China (the “PRC”).

### **2 BASIS OF PREPARATION**

The 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale which are stated at fair values.

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 AND AMENDED HKFRSs

#### **New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2017**

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

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 7 "Disclosure Initiative"***

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is required to be disclosed. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, 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 this announcement, 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 on or after the effective date of the pronouncement.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

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

The directors 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. Information on new and amended HKFRSs that are expected to have impact on the Group’s accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group’s consolidated financial statements.

### **HKFRS 9 “Financial instruments”**

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities’ risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of the Group's financial assets. The Group holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. The directors expect a number of available-for-sale ("AFS") investments are likely to be measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.
- the impairment of financial assets applying the expected credit loss model. For trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.
- the measurement of equity investments at cost less impairment. All such investments will instead be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to HKFRS 9. This will affect the Group's investment in unlisted equity securities of which the Group intends to hold beyond 1 January 2018. Currently, the Group is not intending to elect to present changes in the equity investment in other comprehensive income but will account for its equity investments at fair value through profit or loss.

#### **HKFRS 15 "Revenue from Contracts with Customers"**

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

#### **Timing of revenue recognition**

The Group's revenue recognition policies are disclosed in the consolidation financial statements. Currently, revenue arising from provision of services is recognized over time, whereas revenue from sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when transfer of control occurs. The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

### **HKFRS 16 "Leases"**

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$7,950,000 for land and buildings, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

#### 4 REVENUE

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

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of gold and jewellery products	<b>20,350</b>	19,011
Franchise income	<b>647</b>	461
Enterprise software products	<b>26,948</b>	39,799
Systems integration	<b>12,631</b>	6,386
Professional services	<b>49,598</b>	38,710
	<hr/> <b>110,174</b> <hr/>	<hr/> 104,367 <hr/>

## 5 SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

	<b>2017</b>		
	<b>Jewellery Products</b>	<b>IT Products and Services</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue – From external customers	<u>20,997</u>	<u>89,177</u>	<u>110,174</u>
<b>Reportable segment revenue</b>	<u><b>20,997</b></u>	<u><b>89,177</b></u>	<u><b>110,174</b></u>
<b>Reportable segment (loss)/profit before income tax</b>	<b>(12,555)</b>	<b>2,055</b>	<b>(10,500)</b>
Interest income	<b>4</b>	<b>103</b>	<b>107</b>
Depreciation	<b>(330)</b>	<b>(94)</b>	<b>(424)</b>
Impairment loss on other receivables	<b>–</b>	<b>(10,514)</b>	<b>(10,514)</b>
Gain on disposal of a subsidiary	<b>–</b>	<b>12,359</b>	<b>12,359</b>
Share of results of an associate	<b>–</b>	<b>5,532</b>	<b>5,532</b>
<b>Reportable segment assets</b>	<u><b>275,620</b></u>	<u><b>61,779</b></u>	<u><b>337,399</b></u>
Additions to non-current segment assets (other than financial instruments) during the year	<u><b>443</b></u>	<u><b>172</b></u>	<u><b>615</b></u>
<b>Reportable segment liabilities</b>	<u><b>28,314</b></u>	<u><b>242,546</b></u>	<u><b>270,860</b></u>

	Jewellery Products <i>HK\$'000</i>	2016 IT Products and Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue – From external customers	19,472	84,895	104,367
<b>Reportable segment revenue</b>	<b>19,472</b>	<b>84,895</b>	<b>104,367</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/written off of property, plant and equipment	–	(4)	(4)
Finance costs	–	(176)	(176)
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 write-down of inventories	2,117	–	2,117
Share of results 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) during the year	150	623	773
<b>Reportable segment liabilities</b>	<b>22,415</b>	<b>246,477</b>	<b>268,892</b>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Reportable segment assets	337,399	341,717
Assets classified as held for sale	–	33,027
Elimination upon consolidation	(224,954)	(224,954)
<b>Group assets</b>	<b>112,445</b>	<b>149,790</b>
Reportable segment liabilities	270,860	268,892
Liabilities directly associated with assets classified as held for sale	–	30,401
Elimination upon consolidation	(224,954)	(224,954)
<b>Group liabilities</b>	<b>45,906</b>	<b>74,339</b>

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

	Revenue from external customers		Non-current assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	<b>4,612</b>	6,517	<b>7,524</b>	17,507
PRC and Taiwan	<b>96,455</b>	88,520	<b>1,128</b>	876
South East Asia	<b>9,107</b>	9,330	<b>26</b>	24
	<b><u>110,174</u></b>	<u>104,367</u>	<b><u>8,678</u></b>	<u>18,407</u>

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

During the year ended 31 December 2017, HK\$36,668,000 or 33% of the Group's revenue depended on a single customer in the IT Products and Services segment. (2016: HK\$29,063,000 or 28%)

## 6 OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income	<b>107</b>	786
Consultancy and management fee income	<b>360</b>	843
Net loss on disposal of property, plant and equipment	–	(4)
Net foreign exchange gain	<b>2,443</b>	–
Others	<b>986</b>	655
	<b><u>3,896</u></b>	<u>2,280</u>

## 7 FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest charges on other borrowings	–	176
	<u>–</u>	<u>176</u>

## 8. GAIN ON DISPOSAL OF A SUBSIDIARY

On 18 January 2017, the Group disposed of a subsidiary, Excel System (Beijing) Limited to an independent third party at a cash consideration of HK\$2,000,000.

*HK\$'000*

### **Analysis of assets and liabilities over which control was lost at the date of disposal:**

Cash and bank balances	993
Property, plant and equipment	1,038
Amounts due from customers for contract work	17,560
Trade and other receivables	11,718
Other payables and accrued charges	(28,758)
Amounts due to customers for contract work	(21)
Amounts due to the Group	(12,227)
	<hr/>
Net liabilities disposed of	(9,697)

### **Gain on disposal of a subsidiary:**

Consideration received	2,000
Net liabilities disposed of	9,697
Non-controlling interests	(3,393)
Cumulative exchange differences in respect of net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	4,055
	<hr/>
Gain on disposal	12,359

### **Net cash inflow arising on disposal:**

Consideration received in cash and cash equivalents	2,000
Less: cash and cash equivalents disposed of	(993)
	<hr/>
	1,007

## 9 LOSS BEFORE INCOME TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Operating lease changes on land and building	5,625	5,916
Cost of inventories recognised as an expense, including: -	27,216	19,568
– Write-down of inventories to net realisable value	–	1,312
– Reversal of write-down of inventories	–	(2,117)
Cost of services rendered	67,651	84,474
Impairment loss on other receivables	10,514	–
Depreciation	424	2,312
Impairment loss on property, plant and equipment	–	2,891
Net loss on disposal/written off of property, plant and equipment	–	4
Net foreign exchange (gain)/loss	(2,443)	739
Auditor's remuneration	1,011	921
	<u>          </u>	<u>          </u>

## 10 INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax – Overseas		
Current year	77	390
Under-provision in prior years	294	–
	<u>          </u>	<u>          </u>
<b>Total income tax expense</b>	<u>          </u> <b>371</b>	<u>          </u> <b>390</b>

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 2017 and 2016.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are subject to PRC enterprise income tax at a rate of 25% during the years ended 31 December 2017 and 2016.

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.

## 11 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\$10,387,000 (2016: HK\$42,763,000) and the weighted average number of ordinary shares of 1,188,460,000 ordinary shares (2016: 1,188,460,000 ordinary shares) in issue during the year.

The diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary share in issue during the years ended 31 December 2017 and 2016.

## 12 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2017 (2016: HK\$Nil).

## 13 INVENTORIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Jewellery Products</b>		
Raw materials	1,995	2,488
Work in progress	500	2,698
Finished goods	33,569	32,808
	<u>36,064</u>	<u>37,994</u>

## 14 TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	13,613	14,115
Less: provision for impairment of receivables	<u>(106)</u>	<u>(99)</u>
	<u><b>13,507</b></u>	<u><b>14,016</b></u>

Trade receivables for IT Products and Services are due within 0 – 60 days (2016: 0 – 90 days) from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted. The Group's sales of gold and jewellery products comprised mainly cash sales and credit card sales to retail customers and credit sales to franchisees which are due within 0 – 60 days from the date of billing. 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.

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	12,099	8,614
31 – 60 days	1,042	349
61 – 90 days	135	409
Over 90 days	<u>231</u>	<u>4,644</u>
	<u><b>13,507</b></u>	<u><b>14,016</b></u>

## 15 TRADE PAYABLES

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	981	418
Over 90 days	<u>159</u>	<u>148</u>
	<u><b>1,140</b></u>	<u><b>566</b></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2017, the Group's loss attributable to the owners of the Company amounted to HK\$10,387,000 (2016: HK\$42,763,000).

The Group's revenue for the year ended 31 December 2017 amounted to HK\$110,174,000 (2016: HK\$104,367,000).

The sales of gold and jewellery products and franchise income contributed to HK\$20,997,000 of the Group's revenue during the year (2016: HK\$19,472,000). The sales of enterprise software products dropped by 32% to HK\$26,948,000 (2016: HK\$39,799,000). Revenue on systems integration business increased by 98% to HK\$12,631,000 (2016: HK\$6,386,000) while revenue on professional services business increased by 28% to HK\$49,598,000 (2016: HK\$38,710,000).

### **OPERATION REVIEW**

The Group continued to streamline its businesses in 2017. A sustained loss-making operation of the IT business segment in China was disposed in early 2017. The operating results of the Group had been improved substantially although an annual loss remained reported in 2017.

According to The National Bureau of Statistics of China, the GDP for 2017 full year picked up to 6.9 percent year-on-year that it was the first annual acceleration for the economy since 2010. The annual growth beat the government's target of around 6.5 percent for 2017 and quickened from 6.7 percent in 2016, the weakest pace in 26 years.

The gold and jewellery market in China had shown an annual growth of 3% in 2017 that it was the first yearly increase since 2013. The trend of demand for lower-weight, better designed, higher-margin 'premium' gold jewellery products continued to pick up momentum. Although 24-carat gold still dominated the market, its market share was fast losing, notably in the first- and second-tier cities. It was observed that retailers were shifting their products to incorporate more 18-carat, 22-carat and 3D hard products. The sales and marketing efforts of the Group aligned with the move of the retailer.

In 2017, the Group had not made fresh investments in its sales of gold and jewellery businesses. Sales in the business segment was improved through efforts in development of new products tapping in the market trend and effective franchisee management. With a clear market trend, a bold recovery of the gold and jewellery market and expecting stable growth of China economy in 2018 onwards, the Management believed that decisive investments for enlarging of the Group's share in the market became justifying.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2017, the Group remained in a strong financial position with cash and bank balances of HK\$25,675,000 (2016: HK\$24,507,000).

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. (2016: zero).

## **CAPITAL STRUCTURE**

As at 31 December 2017, the Group's issued shares were 1,188,460,000 shares (2016: 1,188,460,000 shares). As disclosed in the Company's circular dated 19 January 2018, the Group proposed to issued 594,230,000 rights shares ("Rights Shares") at the subscription price of HK\$0.10 per share on the basis of one Rights Share for every two existing shares held as at the close of business on 27 February 2018 and the rights issue is expected to be completed on 21 March 2018. As a result of the rights issue, the Group's issued shares is expected to increase to 1,782,690,000 shares.

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

Save as disclosed in this announcement, the Group did not have any other investment and material acquisition and disposal of subsidiaries during the year ended 31 December 2017.

## **CONTINGENT LIABILITIES**

As at 31 December 2017 and 2016, the Group did not have any material contingent liabilities.

## **SEGMENTAL PERFORMANCE**

For the year ended 31 December 2017, the turnover of the Jewellery Product segment and the IT Products and Services segments amounted to HK\$20,997,000 (2016: HK\$19,472,000) and HK\$89,177,000 (2016: HK\$84,895,000) respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2017, the number of employees of the Group was 301 (2016: 427). 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 Group plans to further develop its jewellery business through tight co-operations with franchisees. Despite concerns over uncertainty of the impacts of long-expected inflation, interest rates raise and restrictive trade policies of some advanced countries on the global economic growth, it is believed that Chinese economy will maintain its GDP growth momentum in the forthcoming years by buoyant domestic consumption and rapid progress in high-tech manufacturing facilities.

The Group believes that gold and jewellery consumption market of China still has promising potential for growth. Those factors including economic growth, progress in upscale consumption, increasing demand from sales stemming on gifts for marriages and births and the trend for buying gold as a hedge against inflation supports expansion of the market. With successful experience in building a strong distribution network of franchisees, the Group plans to further enlarge its domestic market share by extending the existing franchise businesses, development of innovative and exclusive signature products, launching new product series and also investing in its online sales businesses that younger consumers in more than 300 cities throughout China are targeted.

To support the expansion plans of the business segment, the Group is in the process of raising approximately HK\$59 million of share capital by Rights Issue at the date of this announcement. The Group will make effective use of the funds subject to the plans and progress to expand its gold and jewellery businesses while improving its profitability and enhancing the interest of our Shareholders.

## **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 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 year ended 31 December 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 is executive Director. Mr. Lam Tin Faat is the chairman of the remuneration committee.

## **NOMINATION COMMITTEE**

The nomination committee was established on 21 March 2012.

The Company adopted that a nomination committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference will follow the requirement of Code Provisions A.5.2.

The nomination committee currently comprises Mr. Lam Tin Faat and Ms. Na Xin, both are independent non-executive Directors, and Ms. Li Xia is executive Director. Mr. Lam Tin Faat is the chairman of the nomination committee.

## **COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors of the Company have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2017.

## **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 2017, 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, 19 March 2018

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

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