



**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 2018**

**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 2018, the Group's loss attributable to the owners of the Company amounted to HK\$23,668,000 (2017: HK\$10,387,000).
- The Group's revenue for the year ended 31 December 2018 amounted to HK\$97,225,000 (2017: HK\$110,174,000).
- The sales of gold and jewellery products and franchise income contributed to HK\$16,559,000 of the Group's revenue during the year (2017: HK\$20,997,000). The sales of enterprise software products dropped by 4% to HK\$25,950,000 (2017: HK\$26,948,000). Revenue on systems integration business dropped by 67% to HK\$4,188,000 (2017: HK\$12,631,000) while revenue on professional services business increased by 2% to HK\$50,528,000 (2017: HK\$49,598,000).
- Loss per share for loss attributable to the owners of the Company during the year ended 31 December 2018 was HK1.44 cents (2017: HK0.87 cents).
- The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2018 (2017: HK\$Nil).

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of the Company present herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018, together with the comparative figures for the corresponding period in 2017, as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>97,225</b>	110,174
Other income	6	<b>455</b>	3,896
Change in inventories		<b>28,859</b>	(1,930)
Purchase of goods		<b>(45,443)</b>	(25,286)
Professional fee		<b>(5,733)</b>	(12,652)
Employee benefits expense		<b>(69,614)</b>	(71,176)
Depreciation		<b>(852)</b>	(424)
Other expenses		<b>(21,415)</b>	(30,993)
Net gain on disposal of subsidiaries		<b>87</b>	12,359
Loss on disposal of financial assets at fair value through other comprehensive income (“FVOCI”)		<b>(117)</b>	–
Share of results of an associate		<b>175</b>	5,532
Loss on deemed disposal of an associate	11	<b>(6,837)</b>	–
<b>Loss before income tax</b>	7	<b>(23,210)</b>	(10,500)
Income tax expense	8	<b>(41)</b>	(371)
<b>Loss for the year</b>		<b>(23,251)</b>	(10,871)
<b>Other comprehensive (expense)/income for the year</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Financial assets at FVOCI – net movement in fair value reserve (non-recycling)		<b>(439)</b>	–
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Exchange (loss)/gain on translation of financial statements of foreign operations		<b>(3,771)</b>	2,621
Release of exchange reserve upon disposal of a subsidiary		<b>2</b>	(4,055)
		<b>(4,208)</b>	(1,434)
<b>Total comprehensive expense for the year</b>		<b>(27,459)</b>	(12,305)

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(23,668)</b>	(10,387)
Non-controlling interests		<b>417</b>	(484)
		<u><b>(23,251)</b></u>	<u>(10,871)</u>
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company		<b>(27,876)</b>	(11,821)
Non-controlling interests		<b>417</b>	(484)
		<u><b>(27,459)</b></u>	<u>(12,305)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Loss per share for loss attributable to owners of the Company during the year</b>			
– Basic and diluted	9	<u><b>(1.44)</b></u>	<u>(0.87)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	<i>Notes</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,218</b>	1,156
Interest in an associate	<i>11</i>	–	7,522
Interest in a joint venture		–	–
Other financial assets		<b>11,926</b>	–
Development costs		–	–
		<hr/> <b>16,144</b>	<hr/> 8,678
<b>Current assets</b>			
Inventories	<i>12</i>	<b>64,923</b>	36,064
Amounts due from customers for contract work		–	7,707
Contract assets		<b>9,456</b>	–
Trade receivables	<i>13</i>	<b>6,524</b>	13,507
Other receivables, deposits and prepayments		<b>26,655</b>	20,814
Cash and bank balances		<b>27,131</b>	25,675
		<hr/> <b>134,689</b>	<hr/> 103,767
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>572</b>	1,140
Other payables and accrued charges		<b>11,566</b>	21,934
Amounts due to customers for contract work		–	2,217
Contract liabilities		<b>9,285</b>	–
Amounts due to directors		<b>20,785</b>	20,538
Tax payable		<b>47</b>	77
		<hr/> <b>42,255</b>	<hr/> 45,906

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Net current assets</b>	<u>92,434</u>	<u>57,861</u>
<b>Total assets less current liabilities</b>	<u>108,578</u>	<u>66,539</u>
<b>Net assets</b>	<u><u>108,578</u></u>	<u><u>66,539</u></u>
<b>EQUITY</b>		
Share capital	178,269	118,846
Reserves	<u>(68,369)</u>	<u>(50,568)</u>
<b>Equity attributable to owners of the Company</b>	<b>109,900</b>	68,278
<b>Non-controlling interests</b>	<u>(1,322)</u>	<u>(1,739)</u>
<b>Total equity</b>	<u><u>108,578</u></u>	<u><u>66,539</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	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	Fair value reserve non- recycling* HK\$'000	Accumulated losses* HK\$'000			
Balance at 1 January 2017	118,846	220,438	(1,158)	(276)	-	(257,751)	80,099	(4,648)	75,451
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)
Balance at 31 December 2017 and 1 January 2018	118,846	220,438	(2,592)	(276)	-	(268,138)	68,278	(1,739)	66,539
Adjustment from the adoption of HKFRS 9 (note 3)	-	-	-	-	12,545	-	12,545	-	12,545
Adjusted balance at 1 January 2018	118,846	220,438	(2,592)	(276)	12,545	(268,138)	80,823	(1,739)	79,084
Issue of ordinary shares on rights issue	59,423	(2,470)	-	-	-	-	56,953	-	56,953
Transactions with owners	59,423	(2,470)	-	-	-	-	56,953	-	56,953
Loss for the year	-	-	-	-	-	(23,668)	(23,668)	417	(23,251)
Other comprehensive income/(expense):									
- Exchange loss on translation of financial statements of foreign operations	-	-	(3,771)	-	-	-	(3,771)	-	(3,771)
- Release of exchange reserve upon disposal of a subsidiary	-	-	2	-	-	-	2	-	2
- Financial assets at FVOCI - net movement in fair value reserve	-	-	-	-	(439)	-	(439)	-	(439)
- Amount reclassified to accumulated losses upon disposal of financial assets at FVOCI	-	-	-	-	(180)	180	-	-	-
Total comprehensive (expense)/ income for the year	-	-	(3,769)	-	(619)	(23,488)	(27,876)	417	(27,459)
Balance at 31 December 2018	178,269	217,968	(6,361)	(276)	11,926	(291,626)	109,900	(1,322)	108,578

\* These reserve accounts comprise the Group's deficit of HK\$68,369,000 (2017: HK\$50,568,000) in the consolidated statement of financial position.

## NOTES

### 1 GENERAL INFORMATION

Yu Tak International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Hong Kong. The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited.

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

### 2 BASIS OF PREPARATION

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

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

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

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

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018

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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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

#### ***HKFRS 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 losses (“ECL”) model” for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in accumulated losses.

The adoption of HKFRS 9 has impacted the following area:

- investments in unlisted equity investments previously classified as available-for-sale financial assets under HKAS 39 measured at fair value with gain or loss changes being recognised in other comprehensive income and at cost less impairment, respectively, are now measured at fair value. The Group elected to irrevocably designate them at fair value with changes presented in other comprehensive income. Since the accounting treatment of investments in unlisted equity investments carried at cost less impairment under HKAS 39 is no longer applicable under HKFRS 9, the carrying amount was restated from HK\$nil to its fair value of HK\$12,545,000 as at 1 January 2018, and the difference of HK\$12,545,000 is being recognised in “Fair value reserve – non-recycling” as at 1 January 2018.
- HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and bank balances, trade and other receivables (excluding prepayments and value-added tax recoverable) and contract assets); and
- contract assets as defined in HKFRS 15.

For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified approach of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL. Upon the adoption of HKFRS 9, the additional ECL on trade and other receivables (excluding prepayments and value-added tax recoverable) and contract assets is considered minimal at the date of initial application (i.e. 1 January 2018).

All financial assets previously measured at amortised cost under HKAS 39 are continued to be measured at amortised cost under HKFRS 9. There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

The reclassifications and remeasurements made to balances that are not measured at amortised costs recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

	Measurement category		Adoption of HKFRS 9			1 January 2018 (HKFRS 9) HK\$'000
	Original HKAS 39 category	New HKFRS 9 category	31 December 2017 (HKAS 39) HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	
<b>Non-current financial assets</b>						
<b>– other financial assets</b>						
Unlisted private equity fund	Available-for-sale financial assets, at fair value	FVOCI (non-recycling)	-	-	-	-
Unlisted equity investments	Available-for-sale financial assets, at cost	FVOCI (non-recycling)	-	-	12,545	12,545

### ***HKFRS 15 “Revenue from Contracts with Customers”***

HKFRS 15 “Revenue from Contracts with Customers” and the related “Clarifications to HKFRS 15 Revenue from Contracts with Customers” (hereinafter referred to as “HKFRS 15”) replace HKAS 18 “Revenue”, HKAS 11 “Construction Contracts”, and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 January 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

*i. Timing of revenue recognition*

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sales of goods was generally recognised at a point in time when the risks and rewards of ownership had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- b. 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; or
- c. 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 Group 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 is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

*ii. Presentation of contract assets and liabilities*

Previously, contract balances relating to service contracts in progress were presented in the consolidated statement of financial position under "amounts due from customers for contract work" or "amounts due to customers for contract work" respectively. Deferred income for maintenance services and deposits from customers and franchisees were previously under "other payables and accrued charges".

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Upon the adoption of HKFRS 15, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts under HKASs 11 and 18 at 31 December 2017 HK\$'000</b>	<b>Reclassification HK\$'000</b>	<b>Carrying amounts under HKFRS 15 at 1 January 2018 HK\$'000</b>
<b>Current assets</b>			
Amounts due from customers for contract work	7,707	(7,707)	–
Contract assets	–	7,707	7,707
<b>Current liabilities</b>			
Other payable and accrued charges	21,934	(8,400)	13,534
Amounts due to customers for contract work	2,217	(2,217)	–
Contract liabilities	–	10,617	10,617

#### **Issued but not yet effective HKFRSs**

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>5</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

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

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

<sup>5</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors 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 16 “Leases”***

HKFRS 16 “Leases” replaced 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.

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 “lease liability” and 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 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 consolidated statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

As at 31 December 2018, the Group’s future minimum lease payments under non-cancellable operating leases amount to HK\$3,323,000 for land and buildings, the majority of which is payable within one year after the reporting date. The Group expects that the adjustments to be made upon the initial adoption of HKFRS will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group’s financial statement from 2019 onwards.

#### 4 REVENUE

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of gold and jewellery products	<b>16,257</b>	20,350
Franchise income	<b>302</b>	647
Enterprise software products	<b>25,950</b>	26,948
Systems integration	<b>4,188</b>	12,631
Professional services	<b>50,528</b>	49,598
	<hr/> <b>97,225</b> <hr/>	<hr/> 110,174 <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>Jewellery Products HK\$'000</b>	<b>2018 IT Products and Services HK\$'000</b>	<b>Total HK\$'000</b>
Revenue – From external customers	<u>16,559</u>	<u>80,666</u>	<u>97,225</u>
<b>Reportable segment revenue</b>	<b><u>16,559</u></b>	<b><u>80,666</u></b>	<b><u>97,225</u></b>
<b>Reportable segment loss before income tax</b>	<b>(12,690)</b>	<b>(10,520)</b>	<b>(23,210)</b>
Interest income	5	28	33
Depreciation	(740)	(112)	(852)
Net gain on disposal of subsidiaries	–	87	87
Loss on disposal of financial assets at FVOCI	–	(117)	(117)
ECL allowance on other receivables	–	(126)	(126)
Share of results of an associate	–	175	175
Loss on deemed disposal of an associate	–	(6,837)	(6,837)
<b>Reportable segment assets</b>	<b>315,131</b>	<b>60,656</b>	<b>375,787</b>
Additions to non-current segment assets (other than financial instruments) during the year	<u>3,927</u>	<u>43</u>	<u>3,970</u>
<b>Reportable segment liabilities</b>	<b><u>28,619</u></b>	<b><u>238,590</u></b>	<b><u>267,209</u></b>

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Reportable segment assets	<b>375,787</b>	337,399
Eliminated upon consolidation	<b>(224,954)</b>	(224,954)
<b>Group assets</b>	<b>150,833</b>	112,445
Reportable segment liabilities	<b>267,209</b>	270,860
Eliminated upon consolidation	<b>(224,954)</b>	(224,954)
<b>Group liabilities</b>	<b>42,255</b>	45,906

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	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	<b>6,493</b>	4,612	<b>3,293</b>	7,524
PRC and Taiwan	<b>83,621</b>	96,455	<b>912</b>	1,128
South East Asia	<b>7,111</b>	9,107	<b>13</b>	26
	<b>97,225</b>	110,174	<b>4,218</b>	8,678

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 interests in an associate and a joint venture and development costs.

During the year ended 31 December 2018, HK\$36,999,000 or 38% of the Group's revenue depended on a single customer in the IT Products and Services segment (2017: HK\$36,668,000 or 33%).

## 6 OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income	<b>33</b>	107
Consultancy and management fee income	<b>287</b>	360
Net foreign exchange gain	<b>–</b>	2,443
Others	<b>135</b>	986
	<b>455</b>	3,896

## 7 LOSS BEFORE INCOME TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Operating lease charges on land and buildings ( <i>note (ii)</i> )	6,088	5,625
Cost of inventories recognised as an expense	16,584	27,216
Cost of services rendered ( <i>note (i)</i> )	75,347	67,651
ECL allowance/Loss allowance on other receivables ( <i>note (ii)</i> )	126	10,514
Depreciation	852	424
Net loss on written off/disposal of property, plant and equipment	10	–
Net foreign exchange loss ( <i>note (ii)</i> )/(gain)	2,015	(2,443)
Auditor's remuneration ( <i>note (ii)</i> )	1,087	1,011
	<u>1,087</u>	<u>1,011</u>

*Notes:*

- (i) Cost of services rendered included staff costs of HK\$62,405,000 (2017: HK\$55,000,000), which is also included in employee benefits expense.
- (ii) These balances are included in other expenses.

## 8 INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax – Overseas		
Current year	144	77
(Over)/Under-provision in prior years	(103)	294
	<u>41</u>	<u>371</u>
<b>Total income tax expense</b>	<u>41</u>	<u>371</u>

Hong Kong Profits Tax has not been provided as the Group had no assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2018 and 2017.

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 2018 and 2017.

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

## 9 LOSS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company	<u>23,668</u>	<u>10,387</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares (in thousands) (note (i))	<u>1,639,424</u>	<u>1,188,460</u>

*Notes:*

- (i) The 1,639,424,000 ordinary shares are derived from the weighted average number of ordinary shares in issue during the year ended 31 December 2018 after taking into account the effect of rights issue completed during the year.
- (ii) The diluted loss per share is the same as basic loss per share because there were no dilutive potential ordinary shares in issue during the years ended 31 December 2018 and 2017.

## 10 DIVIDENDS

The directors have resolved not to recommend the payment of a final dividend by the Company for the year ended 31 December 2018 (2017: Nil).

## 11 INTEREST IN AN ASSOCIATE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of investment in an associate	–	5,131
Share of post-acquisition results and other comprehensive income, net of dividends received	<u>–</u>	<u>2,391</u>
Share of net assets	<u>–</u>	<u>7,522</u>

During the year ended 31 December 2018, an existing shareholder of Excel Technology International (Hong Kong) Limited (“Excel HK”), Passion Investment (BVI) Limited, has subscribed for 18,000 new ordinary shares of Excel HK ranking pari passu with existing shareholders at a consideration of HK\$1,800,000 (the “Subscription”). The Subscription was completed on 29 March 2018 (the “Completion”). Upon the Completion, the Group’s interests in Excel HK was decreased from 50% to 5%. The Group has accounted for the 5% interests in Excel HK as financial asset at FVOCI (non-recycling) whose fair value at the date of deemed disposal was HK\$860,000. This transaction has resulted in a loss on deemed disposal of an associate recognised in profit or loss for the year ended 31 December 2018, as follows:

**HK\$'000**

Fair value of investment retained (5%)	860
Less: carrying amount of 50% investment on the date of loss of significant influence	<u>(7,697)</u>
Loss on deemed disposal of an associate	<u><u>(6,837)</u></u>

As at 31 December 2017 and up to the date of the Completion, Excel HK is accounted for an associate as the Group has the power to appoint two out of five directors of Excel HK despite the Group's equity interest in Excel HK is 50%. Following resignation of directors appointed by the Group, significant influence over Excel HK is lost on the date of the Completion. Excel HK is a strategic partner for the Group's growth in the development of computer software and the provision of systems integration, professional services and maintenance services through its expertise.

## 12 INVENTORIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Gold and jewellery products:</b>		
Raw materials	–	310
Work in progress	79	500
Finished goods	63,362	33,569
Packing materials	<u>1,482</u>	<u>1,685</u>
	<u><u>64,923</u></u>	<u><u>36,064</u></u>

## 13 TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	6,524	13,613
Less: ECL allowance/loss allowance	<u>–</u>	<u>(106)</u>
	<u><u>6,524</u></u>	<u><u>13,507</u></u>

Trade receivables for IT Products and Services are due within 0 – 60 days (2017: 0 – 60 days) from the date of billing. Debtors with balances that are more than 90 days overdue are requested to settle all outstanding balances before any further credit is granted.

The Group's sales of gold and jewellery products comprised mainly cash sales and credit card sales to retail customers and credit sales to franchisees which are due within 0 – 60 days from the date of billing.

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

Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade receivables, net of ECL allowance (2017: net of loss allowance), was as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	<b>6,017</b>	12,099
31 – 60 days	<b>438</b>	1,042
61 – 90 days	–	135
Over 90 days	<b>69</b>	231
	<u><b>6,524</b></u>	<u>13,507</u>

#### **14 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:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	<b>422</b>	981
Over 90 days	<b>150</b>	159
	<u><b>572</b></u>	<u>1,140</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

For the year ended 31 December 2018, the Group's loss attributable to the owners of the Company amounted to HK\$23,668,000 (2017: HK\$10,387,000).

The Group's revenue for the year ended 31 December 2018 amounted to HK\$97,225,000 (2017: HK\$110,174,000).

The sales of gold and jewellery products and franchise income contributed to HK\$16,559,000 of the Group's revenue during the year (2017: HK\$20,997,000). The sales of enterprise software products dropped by 4% to HK\$25,950,000 (2017: HK\$26,948,000). Revenue on systems integration business dropped by 67% to HK\$4,188,000 (2017: HK\$12,631,000) while revenue on professional services business increased by 2% to HK\$50,528,000 (2017: HK\$49,598,000).

### **OPERATION REVIEW**

According to The National Bureau of Statistics of China, the GDP of China was 6.6% in 2018 that it was the slowest pace since 1990. Gold jewellery demand grew by 3% in 2018 to a three-year high of 672.5 tons although a decline in the fourth quarter was observed as the result of U.S.-China trade friction, a spike in gold prices and a slowdown in economic growth.

In March 2018, the Group had successfully raised equity funds of HK\$57 million (net of all relevant expenses) by rights issue. While a portion had been applied to support daily operations, the Group had converted the newly raised funds into gold at relatively low prices. In August 2018, the Group had further committed an investment of not less than RMB12 million in a joint venture in PRC. The joint venture, with experienced team members who were widely recognised in the market, was designated to develop and expand the sales of gold and jewellery businesses in PRC. The joint venture was still in the start up stage at the end of 2018. More progresses in development of its marketing channels and franchise businesses would be reported in 2019.

The Group's sales of gold jewellery businesses for 2018 amounted to HK\$16 million, a contraction of 20% compared with that for 2017. It contributed to the strategic reorganisation of the business segment in the second half year following the formation of the joint venture. 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. While the Group remained rely on sales of 24-carat gold products, benefits brought by growth in gold jewellery demand in 2018 was limited.

For the IT service segment, the management had disposed its Singapore operations in late 2018, which were not justified in terms of cost and business scale. The turnover contributed to the segment further declined in 2018 subsequent to a series of divestment in the last couple of years. The Group strategically trimmed down its IT services businesses which were losing its competition in the market.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2018, the Group remained in a strong financial position with cash and bank balances of HK\$27,131,000 (2017: HK\$25,675,000).

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 (2017: zero).

## **CAPITAL STRUCTURE**

As at 31 December 2018, the Group's issued shares were 1,782,690,000 shares (2017: 1,188,460,000 shares).

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

During the year ended 31 December 2018, the Group disposed of two subsidiaries with total consideration of HK\$2,480,000, resulting in net gain on disposal of subsidiaries amounting to HK\$87,000.

Save as disclosed in this announcement, the Group did not have any other investment and material acquisition and disposal of subsidiaries during the year ended 31 December 2018.

## **CONTINGENT LIABILITIES**

As at 31 December 2018 and 2017, the Group did not have any material contingent liabilities.

## **SEGMENTAL PERFORMANCE**

For the year ended 31 December 2018, the turnover of the Jewellery Products segment and the IT Products and Services segment amounted to HK\$16,559,000 (2017: HK\$20,997,000) and HK\$80,666,000 (2017: HK\$89,177,000) respectively.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2018, the number of employees of the Group was 276 (2017: 301). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions.

## **FUTURE PROSPECTS**

Gold prices started in 2019 at USD1,282, and climbed to USD1,346 on 20 February 2019. While it was generally believed that growth of United States would be likely slowing down in 2019 and the interest rate hikes would be also put at a halt, gold prices were buoyed by reversing real interest rate and accelerating inflation. The change in price expectations would probably induce new consumer demand for the gold jewellery in 2019.

China jewellery market is responsive to changing consumer behavior. Rather than relying on traditional consumers who buy jewellery purely for its gold content, market players are undertaking extensive market researches to get to know their customers tastes and appetites for offering a more diverse product mix, designing more appealing jewellery and optimising sales channels to modern consumers. In confrontation of a highly competitive market, recruiting the right people will be the key to success of the Group.

The new joint venture of the Group will bring in refresh talents to the Group's sales of gold jewellery businesses. It will focus on the evolving middle class in China who is contributing to a shift in the consumer landscape. In recent years, gold jewellery has faced stiff competition from other items of jewellery and luxury goods in Tier 1 and Tier 2 cities. Competition is however not as fierce in Tier 3 and Tier 4 cities where consumers in these regions prefer high carat gold jewellery for wealth preservation purposes. The Group will continue to source and develop innovative and exclusive products, in pure gold or gold with other jewellery materials, to meet the changing consumer demand and also strategically extend franchise network for distribution of gold products in Tier 3 and Tier 4 cities.

For the IT Products and Services segment, the management believes that existing businesses may further scale down in 2019. Although the focus of the Group has been shifting to the sales of gold jewellery Segment, the Group remains interested in other business opportunities including IT and on-line businesses. The Group will aggressively look for business opportunities which have synergies with its core businesses.

## **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 2018.

## **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 2018 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this preliminary announcement.

## **AUDIT COMMITTEE**

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rule 5.05(2) and Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee currently comprises three members – Mr. Lam Tin Faat, Ms. Zhao XiaXia and Ms. Na Xin, all of whom are independent non-executive Directors. Mr. Lam Tin Faat is the chairman of the audit committee. The audit committee's principal duties, amongst other things, are to review and supervise the financial reporting process, internal control procedures and risk management systems of the Group.

The audited consolidated results of the Group for the year ended 31 December 2018 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 2018.

## **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 2018, 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, 29 March 2019

As at the date of this announcement, the Board comprises:

Mr. CHONG Yu Ping (*Executive Director*)  
Ms. LI Xia (*Executive Director*)  
Mr. CHEN Yin (*Executive Director*)  
Mr. LAM Tin Faat (*Independent Non-executive Director*)  
Ms. NA Xin (*Independent Non-executive Director*)  
Ms. Zhao XiaXia (*Independent Non-executive Director*)

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

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