

2021

INTERIM REPORT



Yu Tak International Holdings Limited
御德國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 8048

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, 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 report 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 report misleading.

INTERIM RESULTS

The Directors present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2021 (“Financial Statements”), together with the comparative figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2021

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	3	7,792	10,996	15,358	21,352
Other income		805	668	817	668
Change in inventories		(927)	–	(1,845)	–
Purchase of goods		(1,395)	–	(2,165)	–
Professional fees		(2,257)	(5,788)	(5,308)	(11,503)
Employee benefits expenses		(3,677)	(6,937)	(7,486)	(13,144)
Depreciation and amortisation		(386)	(392)	(608)	(839)
Write-down of inventories to net realisable value		(4,165)	–	(4,165)	–
Impairment loss for goodwill		(1,973)	–	(1,973)	–
Others		(1,355)	(1,442)	(2,520)	(4,081)
Loss before income tax	4	(7,538)	(2,895)	(9,895)	(7,547)
Income tax expense	5	–	–	–	(13)
Loss for the period		(7,538)	(2,895)	(9,895)	(7,560)

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<i>Notes</i>				
Other comprehensive expense for the period				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Financial assets at fair value through other comprehensive income ("FVOCI") (non-recycling) reversed upon disposal of unlisted equity investment	(227)	–	(227)	–
	(227)	–	(227)	–
Total comprehensive expense for the period	(7,765)	(2,895)	(10,122)	(7,560)
Loss for the period attributable to:				
Owners of the Company	(7,538)	(2,903)	(9,895)	(7,577)
Non-controlling interests	–	8	–	17
	(7,538)	(2,895)	(9,895)	(7,560)
Total comprehensive expense for the period attributable to:				
Owners of the Company	(7,765)	(2,903)	(10,122)	(7,577)
Non-controlling interests	–	8	–	17
	(7,765)	(2,895)	(10,122)	(7,560)
Loss per share – Basic and diluted (in HK cents)				
7	(0.39)	(0.15)	(0.51)	(0.39)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	1,848	2,384
Right-of-use assets		1,014	1,326
Financial assets		22,875	23,102
		25,737	26,812
Current assets			
Inventories		55,544	61,554
Contract assets		3,840	3,460
Trade receivables	9	1,278	6,144
Other receivables, deposits and prepayments		25,004	19,385
Cash and bank balances		19,590	23,524
		105,256	114,067

		(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
	<i>Notes</i>		
Current liabilities			
Trade payables	10	850	2,030
Other payables and accrued charges		5,834	6,335
Contract liabilities		6,751	7,483
Amounts due to directors		8,618	8,088
Lease liabilities		493	486
Tax payable		364	101
		22,910	24,523
Net current assets		82,346	89,544
Total assets less current liabilities		108,083	116,356
Non-current liabilities			
Lease liabilities		758	872
Net assets		107,325	115,484
EQUITY			
Share capital	11	194,769	194,769
Reserves		(87,444)	(77,322)
Equity attributable to owners of the Company		107,325	117,447
Non-controlling interests		–	(1,963)
Total equity		107,325	115,484

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Equity attributable to owners of the Company								
	Share capital	Share premium	Exchange reserve	Capital reserve	Fair value reserve (non-recycling)	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2020 & 1 January 2021	194,769	218,532	(3,671)	(262)	23,102	(315,023)	117,447	(1,963)	115,484
Loss for the period	-	-	-	-	-	(9,895)	(9,895)	-	(9,895)
Other comprehensive expense for the period	-	-	-	-	(227)	-	(227)	-	(227)
Total comprehensive expense for the period	-	-	-	-	(227)	(9,895)	(10,122)	-	(10,122)
Acquisition of non-controlling interest in a subsidiary	-	-	-	-	-	-	-	1,963	1,963
At 30 June 2021	194,769	218,532	(3,671)	(262)	22,875	324,918	107,325	-	107,325

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before income tax	(9,895)	(7,547)
Adjustments for non-cash items and net changes in working capital	5,966	1,734
Net cash flows used in operating activities	(3,929)	1,734
Cash flows from investing activities		
Net changes in property, plant and equipment	(20)	(933)
Disposal of financial assets	25	–
Acquisition of non-controlling interest in a subsidiary	(10)	–
Net cash used in investing activities	(5)	(933)
Net decrease in cash and cash equivalents	(3,934)	(6,746)
Cash and cash equivalents at the beginning of the period	23,524	25,994
Cash and cash equivalents at the end of the period	19,590	19,248

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Hong Kong. The Company's shares are listed on GEM of the Stock Exchange.

The Group is principally engaged in the development, sale and implementation of enterprise software, provision of systems integration and professional services, design and sales of gold and jewellery products and investment holding. The Group's operations are based in Hong Kong and the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

The condensed 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 Company Ordinance and include the applicable disclosure requirements of the GEM Listing Rules.

The consolidated financial statements have been prepared on the historical cost basis, except for financial asset at FVOCI which are stated at fair value.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except for the changes mentioned below.

New and amended HKFRSs that are effective for annual periods beginning on 1 January 2021

The Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform (Phase 2)
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The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

3. REVENUE

The Group's revenue recognized during the period is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of gold and jewellery products	2,926	–	4,933	–
Enterprise software products	3,737	2,778	7,186	6,612
Professional services	1,129	8,218	3,239	14,740
Total revenue	7,792	10,996	15,358	21,352

4. SEGMENT INFORMATION

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

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

	Six months ended 30 June 2021		
	Jewellery Products	IT Products and Services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
– From external customers	<u>4,933</u>	<u>10,425</u>	<u>15,358</u>
Reportable segment revenue	<u>4,933</u>	<u>10,425</u>	<u>15,358</u>
Reportable segment loss before income tax	(7,833)	(2,062)	(9,895)
Write-down of inventories to net realisable value	(4,165)	–	(4,165)
Impairment loss for goodwill	–	(1,973)	(1,973)
Depreciation and amortization	(450)	(158)	(608)

	Six months ended 30 June 2020		
	Jewellery Products	IT Products and Services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
– From external customers	–	21,352	21,352
Reportable segment revenue	–	21,352	21,352
Reportable segment loss before income tax	(6,953)	(594)	(7,547)
Depreciation and amortization	(478)	(361)	(839)

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

	30 June 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Reportable segment assets		
– Jewellery Products	289,500	300,006
– IT Products and Services	66,447	65,827
	355,947	365,833
Elimination of inter-segment receivables	(224,954)	(224,954)
Group assets	130,993	140,879

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Reportable segment liabilities		
– Jewellery Products	15,193	15,890
– IT Products and Services	233,429	234,459
	248,622	250,349
Elimination of inter-segment payables	(224,954)	(224,954)
Group liabilities	23,668	25,395

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	
	Six months ended			
	30 June 2021 HK\$'000	2020 HK\$'000	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Hong Kong	3,707	3,351	1,411	1,782
PRC and Taiwan	10,641	16,998	1,303	1,735
South East Asia	1,010	1,003	148	193
	15,358	21,352	2,862	3,710

5. LOSS BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Write-down of inventories to net realisable value	(4,165)	–	(4,165)	–
Impairment loss for goodwill	(1,973)	–	(1,973)	–
Depreciation of property, plant and equipment	(201)	(392)	(427)	(839)
Interest income	2	12	9	12

6. INCOME TAX EXPENSE

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

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

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current tax				
– Overseas				
Tax for the period	–	–	–	13
Total income tax expense	–	–	–	13

7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30 June 2021 is based on the loss attributable to owners of the Company of HK\$9,895,000 (2020: loss of HK\$7,577,000) and the weighted average number of ordinary shares of 1,947,690,000 (2020: 1,949,690,000) in issue during the period.

Diluted loss per share for the six months ended 30 June 2021 and 2020 is the same as the basic loss per share as there is no potential dilutive ordinary share in issue during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group spent HK\$31,000 (six months ended 30 June 2020: HK\$933,000) on additions of property, plant and equipment.

10. TRADE RECEIVABLES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables	1,431	6,297
Less: ECL allowance	(153)	(153)
	<u>1,278</u>	<u>6,144</u>

Trade receivables from third parties for IT products and Services are due within 14 days to 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 comprise mainly cash sales and credit card sales to retail customers and credit sales to franchisees with 0 – 60 days credit terms.

During the reporting period, the Group kept assessing the expected credit loss of all receivables and established a provision of doubtful debts. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that recovery is remote, in which case the expected credit loss is written off against trade receivables and the provision for doubtful debts directly.

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 for impairment was as follows:

	30 June	31 December
	2021	2020
	HK\$'000	<i>HK\$'000</i>
0 – 30 days	723	6,001
31 – 60 days	260	32
61 – 90 days	295	87
Over 90 days	–	24
	1,278	6,144

11. TRADE PAYABLES

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
0 – 30 days	–	2,030
Over 90 days	<u>850</u>	<u>–</u>
	<u>850</u>	<u>2,030</u>

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

12. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>5,000,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2020 and 31 December 2020 1 January 2021 and 30 June 2021	<u>1,947,690,000</u>	<u>194,769</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's loss attributable to owners of the Company for the six months ended 30 June 2021 was HK\$9,895,000 (2020: HK\$7,577,000). The loss was mainly due to the written down in value of a lot of obsoleted gold and jewellery stock items and the impairment loss for goodwill arising from the buyout of non-controlling interest in a subsidiary.

During the six months ended 30 June 2021, the Group recorded a turnover of HK\$15,358,000, representing a decrease of approximately 28% compared with a turnover of HK\$21,352,000 in the same period of last year.

Revenue from sales of gold and jewellery products amounted to HK\$4,933,000 (2020: Nil). Income from sales of enterprise software products was HK\$7,186,000, increased by approximately 9% (2020: HK\$6,612,000). Professional service business income diminished by approximately 78% to HK\$3,239,000 (2020: HK\$14,740,000) as a result of the strategy to scale down businesses which demanded disproportionate investment in human resources.

Liquidity and Financial Resources

As of 30 June 2021, the Group was in a financial position with cash and cash equivalents of HK\$19,590,000 (31 December 2020: HK\$23,524,000).

The Group monitors its capital structure using the gearing ratio which is net debt divided by total equity. For this purpose, the Group defines net debt as debt, which comprises long-term and short-term borrowings, less cash and cash equivalents. Total equity comprises equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position. As of 30 June 2021 and 31 December 2020, cash and cash equivalents exceeded debt, therefore the gearing ratio of the Group was zero.

Capital Structure

There is no change in number of issued Share capital in the six month period ended 30 June 2021.

Segmental Performances

For the six months ended 30 June 2021, while the Jewellery Products business reported turnover of HK\$4,933,000 (2020: Nil), the IT Products and Services segment reported a turnover of HK\$10,425,000, representing a fall of approximately 51% (2020: HK\$21,352,000).

Employees

The total number of employees as of 30 June 2021 was 48 (Beginning of 2021: 46).

Outlook for the Second Half of 2021

Gold price per ounce started in 2021 at USD1,943, dropped to USD1,684 at the end of the first quarter but closed at US\$1,763 at 30 June of 2021 that a decline of 9% was recorded. Underperformance of gold was primarily driven by higher interest rates on the back of growing worries of global inflation led by strong recovery of the US economy.

According to the National Bureau of Statistics, China's GDP rose by 12.7% in H1 2021. Household disposable income in the first half of the year also surged by 12.6% supported by healthy economic growth and various consumption stimuli across the country. Retail sales of gold jewellery kept staying above their pre-pandemic average. In terms of market segments, growth in lower-tier cities continued and yellow gold products were still conquering demand.

The Group remained prudently optimistic of the gold jewellery market of China. Although, cases of COVID-19 and its variants were found on and off in different cities, the management believed that businesses would keep improving from the second half of 2021 when consumers got used to the new normal. It might be more prominent towards the year end.

For the IT Products and Services segment, the Group would keep looking for business opportunities which had synergies with its core business.

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

At 30 June 2021, the interests and short positions of the Directors and the Chief Executive Officer of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the GEM Listing Rule of The Stock Exchange, were as follows:

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

Name of Director	Number of ordinary shares held			Total	Percentage of the issued share capital of the Company
	Beneficial Owner	Held by family	Held by controlled corporation		
Mr. CHONG Yu Ping	36,726,000	–	804,157,697 <i>(Note 1)</i>	840,883,697	43.17%
Ms. LI Xia	–	–	804,157,697 <i>(Note 1)</i>	804,157,697	41.29%
Mr. CHEN Yin	–	–	149,455,740 <i>(Note 2)</i>	149,455,740	7.67%

Notes:

- (1) These shares were held by Sino Eminent Limited. Sino Eminent Limited, a company incorporated in the British Virgin Islands, is owned as to 25% by Ocean Expert Investments Limited and 75% by Shenzhen Yihua Jewelry Co., Ltd (“Shenzhen Yihua”), a company incorporated in the PRC which is held as to approximately 75% by Mr. Chong Yu Ping. Accordingly, Mr. Chong Yu Ping is deemed to be interested in 804,157,697 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Mr. Chong Yu Ping through his shareholding in Shenzhen Yihua. Ocean Expert Investments Limited is a limited company incorporated in the British Virgin Islands which is wholly owned by Ms. Li Xia. Ms. Li Xia is deemed to be interested in 804,157,697 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Ms. Li Xia through her shareholding in Ocean Expert Investments Limited.
- (2) These shares were held by Flourish Zone Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Chen Yin.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2021.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of party	Notes	Capacity in which interests are held	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Sino Eminent Limited	<i>Note 1</i>	Beneficial owner	804,157,697	41.29%
Shenzhen Yihua	<i>Note 1</i>	Interest in a controlled corporation	804,157,697	41.29%
Ocean Expert Investments Limited	<i>Note 1</i>	Interest in a controlled corporation	804,157,697	41.29%
Ms. LI Xia	<i>Note 1</i>	Interest in a controlled corporation	804,157,697	41.29%
Mr. CHONG Yu Ping	<i>Note 1</i>	Interest in a controlled corporation & Beneficial owner	840,883,697	43.17%
Flourish Zone Limited	<i>Note 2</i>	Beneficial owner	149,455,740	7.67%
Mr. CHEN Yin	<i>Note 2</i>	Interest in a controlled corporation	149,455,740	7.67%
CK Hutchison Holdings Limited	<i>Note 3</i>	Interest in controlled corporations	143,233,151	7.35%

Notes:

- (1) Sino Eminent Limited is a company incorporated in the British Virgin Islands, is owned as to 25% by Ocean Expert Investments Limited and 75% by Shenzhen Yihua, a company incorporated in the PRC which is held as to approximately 75% by Mr. Chong Yu Ping.

Accordingly, Mr. Chong Yu Ping is deemed to be interested in 804,157,697 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Mr. Chong Yu Ping through his shareholding in Shenzhen Yihua. Besides, Mr. Chong Yu Ping has beneficial interest in another 36,726,000 Shares.

Ocean Expert Investments Limited is a limited company incorporated in the British Virgin Islands which is wholly owned by Ms. Li Xia. Ms. Li Xia is deemed to be interested in 804,157,697 shares held by Sino Eminent Limited by virtue of Sino Eminent Limited being controlled by Ms. Li Xia through her shareholding in Ocean Expert Investments Limited.

- (2) Flourish Zone Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chen Yin. Accordingly, Mr. Chen Yin is deemed to be interested in the 149,455,740 shares interested by Flourish Zone Limited.
- (3) CK Hutchison is deemed to be interested in a total of 143,233,151 shares of the Company through its controlled companies.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30 June 2021.

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 period ended 30 June 2021.

AUDIT COMMITTEE

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

The unaudited consolidated results of the Group for the six months ended 30 June 2021 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 adopts that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference follow the requirement of Code Provisions B.1.2 of the GEM Listing Rules.

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

NOMINATION COMMITTEE

The nomination committee was established on 21 March 2012.

The Company adopts 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 of the GEM Listing Rules.

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

COMPLIANCE OF CODE FOR DIRECTORS' SECURITIES TRANSACTION

The Company adopts a code of conduct regarding securities transactions by directors on terms from 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 confirm that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

Hong Kong, 13 August 2021

As at the date of this report, 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. ZHAO Xiaxia (*Independent Non-executive Director*)
Ms. NA Xin (*Independent Non-executive Director*)