



百德國際有限公司
Pak Tak International Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 2668



2022
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu (*Chief Executive Officer*)
Mr. Wang Jian
Mr. Ning Jie

Non-executive Directors

Mr. Shin Yick Fabian
Mr. Liu Xiaowei

Independent Non-executive Directors

Mr. Chan Ngai Sang Kenny
Mr. Chan Kin Sang
Mr. Zheng Suijun

AUDIT COMMITTEE

Mr. Chan Ngai Sang Kenny (*Chairman*)
Mr. Chan Kin Sang
Mr. Zheng Suijun

NOMINATION COMMITTEE

Mr. Liao Nangang (*Chairman*)
Mr. Chan Ngai Sang Kenny
Mr. Chan Kin Sang
Mr. Zheng Suijun
Ms. Qian Pu

REMUNERATION COMMITTEE

Mr. Chan Kin Sang (*Chairman*)
Mr. Chan Ngai Sang Kenny
Mr. Zheng Suijun
Ms. Qian Pu

STRATEGIC COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu
Mr. Shin Yick Fabian

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu
Mr. Shin Yick Fabian

COMPANY SECRETARY

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Ms. Qian Pu
Mr. Sze Kat Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, 19/F
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, Foyer, 625 King's Road
North Point, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Sang Bank Limited

STOCK CODE

2668

WEBSITE

www.paktakintl.com

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, the principal activities of the Group are: (i) supply chain business (the “**Supply Chain Business**”), (ii) leasing business (the “**Leasing Business**”), (iii) hotel management and catering services (“**Hotel Management & Catering Services**”), (iv) property investment (the “**Property Investment**”), (v) money lending business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “**Money Lending Business**”) and (vi) securities investment (the “**Securities Investment**”).

BUSINESS REVIEW

Supply Chain Business

The Supply Chain Business, being the provision of supply chain services of non-ferrous metals and construction materials, continued to be the Group’s core business. During the six months ended 30 June 2022, the Supply Chain Business recorded a revenue of HKD342.5 million, a decrease of HKD248.5 million as compared with the corresponding period in 2021. Pessimistic expectations for the supply chain business reduce the use of non-ferrous metals and construction materials, and the ongoing measures against the epidemic in PRC which created a challenging environment for both upstream and downstream companies. Despite the challenging environment which results in a drop of the revenue in Supply Chain Business, the Group will keep prudent and conservative to develop the Supply Chain Business and continued to tighten the credit risk assessment and aims to expand business potential with more valuable customers. The segment result of Supply Chain Business amounted to HKD23.6 million for the six months ended 30 June 2022, representing a decrease of 3.7% as compared with the last corresponding period.

Leasing Business

The Leasing Business is operated through direct lease or sale-and-leaseback arrangements. As at 30 June 2022, the aggregate finance lease receivables were HKD25.9 million and revenue of HKD0.9 million was recognised for the six months ended 30 June 2022. The ongoing measures against the epidemic in the PRC had an impact to the Leasing Business, the prospects were still uncertain and the potential customers inclined to be prudent and conservative in the investment in the leasing machinery. Nevertheless, the Group will continue to adopt a prudent approach and strive to discover further potential business opportunities.

Hotel Management & Catering Services

By the acquisition of the entire issued capital of Foresight Industrial Group Limited (“**Foresight Industrial**”) at a consideration of HKD120 million which completed in April 2022, the Group expands its business to the hotel management and catering services. Foresight Industrial Group owns one four-star hotel in Beihai City, Guangxi Province, PRC and operates its hotel portfolio through different distinct lines of business included luxury, upper upscale and mid-scale. Besides, it operates several Chinese restaurants, coffee shops and a food factory to develop its catering services. The operation of hotel and beverage continued affected by the epidemic and the ongoing measures in the PRC, and recorded a segment loss during the period under review. The management will consider and review the operational efficiency to optimise the cost structure and improve the overall performance.

Property Investment

During the six months ended 30 June 2022, the Group has the investment properties located in Yunfu, PRC. The rental income from leasing of the above investment properties of HKD2.8 million and at 30 June 2022, the fair value of the above investment properties amounted to HKD234.3 million, representing a fair value gain of HKD0.7 million. The Group will continue to lease out the investment properties for rental income and may realise its properties investment to enhance the Group's working capital if necessary and when timing is appropriate.

Money Lending Business

In order to ensure the healthy development of Money Lending Business, the Group will continue to adopt a prudent risk management policy, and will also carry out regular review of credit risk over its customers. As at 30 June 2022, no loan receivables of the Money Lending Business was recorded.

Securities Investment

The Group conducts securities investment activities including the listed securities and the unlisted securities in Hong Kong and PRC. During the period under review, the Group disposed the unlisted equity securities and the net proceeds used to settle the consideration of acquisition of Foresight Industrial. The Group will continue to adopt a prudent investment strategy for both short-term investments and long-term investments and will closely monitor the market changes and adjust its investment portfolio as and when necessary.

FINANCIAL REVIEW

Below is an analysis of the Group's key financial information including, but not limited to revenue, expenses and profit for the six months ended 30 June 2022, which reflected the financial position of the Group's business.

Revenue

For the six months ended 30 June 2022, the Group recorded a total revenue of HKD374.7 million, representing a decrease of 37.3% as compared with that of the six months ended 30 June 2021 of HKD597.5 million. Such decrease was mainly due to the decline in revenue generated in Supply Chain Business by HKD248.5 million from HKD591.0 million for the six months ended 30 June 2021 to HKD342.5 million for the six months ended 30 June 2022.

Despite such decrease in revenue in Supply Chain Business, the Hotel Management & Catering Services opened up a new income stream for the Group and recorded a revenue of HKD28.4 million for the period under review (six months ended 30 June 2021: HKD Nil).

The total revenue from Money Lending Business, Securities Investment, Leasing Business, and Property Investment amounted to approximately HKD3.7 million as compared with that of the six months ended 30 June 2021 of HKD6.5 million.

Expenses

The Group's direct costs and operating expenses significantly decreased by HKD236.1 million from HKD563.7 million for the six months ended 30 June 2021 to HKD327.6 million for the six months ended 30 June 2022. The decrease in direct costs and operating expenses was mainly due to the decline in the Supply Chain Business, which accounted for over 91% of the Group's total revenue for the six months ended 30 June 2022.

The Group's administrative expenses increased by HKD17.4 million from HKD17.5 million for the six months ended 30 June 2021 to HKD34.9 million for the six months ended 30 June 2022. Such increase was mainly attributable to the newly acquired Hotel Management & Catering Services.

The Group's finance cost decreased by HKD8.2 million from HKD25.4 million for the six months ended 30 June 2021 to HKD17.2 million for the six months ended 30 June 2022, mainly due to the decrease in average interest rate of borrowings and no interest expense from bonds which had been fully settled by the Company on March 2021.

Profit for the period

For the six months ended 30 June 2022, the Group recorded a net profit of approximately HKD31.3 million as compared to a net profit of approximately HKD12.8 million for the six months ended 30 June 2021. Such increase in net profit was primarily attributable to the increase in the dividend income from the financial assets at fair value through other comprehensive income and decrease in finance cost during the current period.

Trade and other receivables

The decrease in trade and other receivables of HKD26.8 million was primarily due to the decrease in the deposits and prepayments amounting to HKD132.4 million, which the prepayments made to the suppliers in Supply Chain Business was recognised as direct cost and operating expenses. On the other hand, there was an increase in trade receivables of HKD114.7 million, since the long credit period was given to some customers during the six months ended 30 June 2022. The Group seeks to maintain strict control over its outstanding receivables and the management actively monitor the status of its outstanding receivables and the rapid change of the market condition in order to minimise credit risk. The management regularly reviews the overdue balances, which performs assessment of recoverability on a case-by-case basis.

Trade and bills payables

As at 30 June 2022, the Group's trade and bills payable significantly decreased by HKD135.5 million from HKD310.8 million as at 31 December 2021 to HKD175.3 million. Such decrease was in line with the slowdown of the Supply Chain Business during the six months ended 30 June 2022.

Other payables, accrued charges and deferred income

As at 30 June 2022, the Group's other payables, accrued charges and deferred income significantly increased by HKD61.2 million from HKD24.2 million as at 31 December 2021 to HKD85.4 million. Such increase was mainly attributable to the newly acquired Hotel Management & Catering Services which mainly consists deposits received for hotel management of HKD34.0 million, receipt in advance for management fee income, accrued operating expenses and leasehold improvements.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2022 the cash and cash equivalents of the Group were HKD62.0 million (31 December 2021: HKD15.4 million) and interest-bearing borrowings, including the borrowings and lease liabilities were HKD568.2 million (31 December 2021: HKD527.6 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 30 June 2022 denominated in original currencies:

	At 30 June 2022	
	HKD ('000)	RMB ('000)
Cash and cash equivalents	11,451	43,009
Borrowings	—	438,130
Lease liabilities	—	46,919
	<hr/>	<hr/>
	At 31 December 2021	
	HKD ('000)	RMB ('000)
Cash and cash equivalents	15,113	269
Borrowings	6,000	422,286
Lease liabilities	—	3,709
	<hr/>	<hr/>

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 30 June 2022, the gearing ratio, which is calculated on the basis of total debts (including interest-bearing borrowings and lease liabilities) over total shareholders' fund of the Group, was 89.4% (31 December 2021: 81.6%). The gearing ratio increased in comparison to previous year mainly due to the additions of lease liabilities as a result of acquisition of subsidiaries. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.29 (31 December 2021: 1.30). The liquidity ratio is stable in comparison to that as at 31 December 2021.

FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollar, which is pegged to the United States dollars, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in Renminbi. While the Group's operations in the PRC, the location of its production, are primarily conducted in Renminbi, its Hong Kong operations are conducted in Hong Kong dollars. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest rate risk arises from borrowings, which, being obtained at variable rates and at fixed rates, expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

PLEDGES ON GROUP ASSETS

As at 30 June 2022, the investment properties of the Group located in Yunfu, PRC with net carrying amount of approximately HKD234.3 million (31 December 2021: HKD244.2 million) were pledged to secure bank loans and facilities of the Group.

The structured deposits and pledged bank deposits of the Group entered with financial institutions as at 30 June 2022 with carrying amount of approximately HKD Nil (31 December 2021: HKD72.8 million) and HKD52.1 million (31 December 2021: HKD98.0 million) respectively, were pledged as guarantee deposits for bills payables to suppliers.

FINANCIAL GUARANTEES PROVIDED

As at 30 June 2022, the Company had provided corporate guarantees amounting to HKD328.0 million (31 December 2021: HKD342.9 million) and HKD Nil (31 December 2021: HKD6 million) in favour of certain banks and an independent third party respectively in connection with facilities granted to certain subsidiaries of the Group.

CAPITAL EXPENDITURES AND COMMITMENTS

During the six months ended 30 June 2022, the Group invested HKD729,000 (31 December 2021: HKD25,000) on properties, plant and equipment, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. The Group also acquired properties, plant and equipment of HKD130,506,000 (31 December 2021: HKD Nil) as a result of acquisition of subsidiaries. As at 30 June 2022 and 31 December 2021, the Group had no capital commitments.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2022, the significant investments held by the Group are as follows:

	30 June 2022 HKD'000	31 December 2021 HKD'000
Financial assets at fair value through other comprehensive income	6,595	133,162
Financial assets at fair value through profit or loss		
— Listed equity securities	928	923
— Structured deposits	—	72,847
— Wealth management products	—	10,776
	7,523	217,708

Save as disclosed above, there were no significant investments held by the Group for the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Discloseable Transaction – Acquisition of the Entire Issued Share Capital of Foresight Industrial Group Limited

On 26 January 2022, the Company through its direct wholly-owned subsidiary, entered into a sale and purchase agreement with an independent third party in relation to acquire the entire issued share capital of Foresight Industrial. Foresight industrial and its subsidiaries (“**Foresight Industrial Group**”) is principally engaged in hotel operations and management and provision of food and beverage catering services in the PRC, at a cash consideration of HKD120,000,000 (the “**Acquisition**”).

Completion of the Acquisition took place on 1 April 2022. Thereafter, Foresight Industrial has become a wholly-owned subsidiary of the Company and the financial statements of the Foresight Industrial Group are consolidated into the consolidated financial statements of the Company.

Major Transaction – Disposal of Minority Interest in Golden Affluent Limited

On 28 January 2022, the Company through its direct wholly-owned subsidiary, entered into a share transfer agreement with an independent third party in relation to disposal of 14.73% equity interest of Golden Affluent Limited (“**Golden Affluent**”), at a cash consideration of HKD110,000,000 (the “**Disposal**”).

The Disposal had been approved as the ordinary resolutions by the shareholders of the Company at the special general meetings of the Company on 13 May 2022.

Completion of the Disposal took place on 31 May 2022. Thereafter, the Company did not hold any equity interest in Golden Affluent, which ceased to be classified as financial asset at fair value through comprehensive income in the Group’s consolidated financial statements.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group during the six months ended 30 June 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of approximately 400 employees (30 June 2021: approximately 50 employees). Employees’ remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group’s remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of difference positions.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (30 June 2021: HKD Nil).

EVENTS AFTER THE REPORTING PERIOD

The Company does not have any significant events after the reporting period.

FUTURE PROSPECTS

In the second half of 2022, the Group will continue to enhance the performance in Supply Chain Business as our core business by improving the efficiency on utilisation of the Group's resources for the supply chain of non-ferrous metals and construction materials. The Group intends to strengthen its strategic cooperation with large suppliers, with a view to establishing itself as a reputable supplier in the industry well recognised for offering products at competitive prices.

Besides, the management will maintain the stable and healthy development in the Leasing Business and strictly adhere to the regulatory requirements in the finance lease industry and maintain strict risk control. Furthermore, the acquisition of Foresight Industrial as a starting point to development in the hotel management and catering services, the management will monitor the rapidly changing epidemic situation and the ongoing measures in PRC and adjust the operating strategies in a timely manner.

For the other businesses including Property Investment, Money Lending Business and Securities Investment, the management will keep a cautious and prudent approach and maintain the current scale of such businesses.

OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follow:

Name of Directors	Number of Shares Held <i>(Note 1)</i>	Capacity	Approximate % Shareholding <i>(Note 2)</i>
Mr. Liao Nangang ("Mr. Liao") <i>(Note 3)</i>	1,092,000,000	Interests of controlled corporation	28.00%
Mr. Wang Jian ("Mr. Wang") <i>(Note 4)</i>	546,953,000	Interest of controlled corporation	14.02%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
2. The percentage was calculated based on the total number of Shares of the Company as at 30 June 2022, which was 3,900,000,000.
3. These 1,092,000,000 Shares are owned by Tengyue Holding Limited ("Tengyue Holding") which is wholly-owned by Beyond Glory Holdings Limited ("Beyond Glory"). In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of SFO.
4. These 546,953,000 Shares are owned by Massive Thriving Limited ("Massive Thriving") which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to the Directors and chief executive of the Company, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follow:

Name of Shareholders	Number of Shares Held <i>(Note 1)</i>	Capacity	Approximate % of Shareholding <i>(Note 2)</i>
Tengyue Holding <i>(Note 3)</i>	1,092,000,000	Beneficial owner	28.00%
Beyond Glory <i>(Note 3)</i>	1,092,000,000	Interest of controlled corporation	28.00%
Youngheng Holdings Limited ("Youngheng Holdings") <i>(Note 4)</i>	720,000,000	Beneficial owner	18.46%
Mr. Shi Andong ("Mr. Shi") <i>(Note 4)</i>	720,000,000	Interest of controlled corporation	18.46%
Massive Thriving <i>(Note 5)</i>	546,953,000	Beneficial owner	14.02%
Glory Sun Financial Group Limited ("GSFG") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Glory Sun Financial Holdings Limited ("GSFH") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Great Sphere Developments Limited ("GSDL") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Mr. Huang Shilong	275,500,000	Beneficial owner	7.06%
Stellar Result Limited ("SRL") <i>(Note 6)</i>	203,377,950	Interest of controlled corporation	5.21%
Glory Sun Credit Limited ("GSCL") <i>(Note 6)</i>	203,377,950	Person having a security interest in Shares	5.21%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
2. The percentage was calculated based on the total number of Shares of the Company as at 30 June 2022, which was 3,900,000,000.
3. These 1,092,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of SFO.
4. These 720,000,000 Shares are owned by Youngheng Holdings which is wholly-owned by Mr. Shi. Accordingly, Mr. Shi is deemed to be interested in all the Shares held by Youngheng Holdings by virtue of SFO.
5. These 546,953,000 Shares are owned by Massive Thriving which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of SFO.
6. According to GSCL is interested in 203,377,950 Shares by way of a security interest in those Shares. GSCL is wholly-owned by SRL, which is in turn wholly-owned by GSFG through GSDL and GSFH. Glory Sun Securities Limited (“**GSSL**”) is directly interested in 79,320,000 Shares and is indirectly owned by GSFG through GSFH, GSDL, Golden Affluent, among others. Accordingly, GSFG is deemed to be interested in all 282,697,950 Shares in which GSCL and GSSL are directly interested by virtue of SFO.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any other person or corporation (other Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, there was no change in information of Directors since the date of the 2021 annual report of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviation:

Under code provision F.2.2, the chairman of the board should attend the annual general meeting. Mr. Liao Nangang, being the chairman of the Board was unable to attend the AGM due to the circumstances under the COVID-19 outbreak. Mr. Liao will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Liao had entrusted Mr. Shin Yick, Fabian, being non-executive Director, to respond to shareholders' concerns (if any) on his behalf at the AGM.

The Board will continuously review the effectiveness of the corporate governance structure of the Company and effect changes whenever necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the six months ended 30 June 2022.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2022 (the "**Interim Results**") with no disagreement with the accounting treatment adopted by the Group. At the request of the Directors, the Group's external auditors have carried out a review of the Interim Results in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued Shares of the Company as required under the Listing Rules throughout the six months ended 30 June 2022 and up to the date of this report.

By Order of the Board

Pak Tak International Limited

Liao Nangang

Chairman

Hong Kong, 26 August 2022

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

(Incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Pak Tak International Limited (the "**Company**") and its subsidiaries set out on pages 16 to 44, which comprises the condensed consolidated statement of financial position as at 30 June 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes (the "**interim financial information**"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to form a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. A review of this interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2022 is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 26 August 2022

Choi Kwong Yu

Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited)
Revenue	4	374,684	597,499
Other revenue	5	37,174	9,952
Other net gains	5	863	3,640
Fair value gain on investment properties	13	682	15,293
Direct costs and operating expenses		(327,576)	(563,716)
Administrative expenses		(34,859)	(17,458)
Profit from operations	6	50,968	45,210
Finance costs	7	(17,206)	(25,436)
Profit before taxation		33,762	19,774
Income tax expense	8	(2,496)	(6,947)
Profit for the period		31,266	12,827
Attributable to equity shareholders of the Company		31,266	12,827
Earnings per share	9		
— Basic and diluted (in HK cents)		0.80	0.37

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Profit for the period	31,266	12,827
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(24,595)	3,964
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value change of financial assets at fair value through other comprehensive income, net of nil tax	(17,310)	(7,460)
Total comprehensive (loss)/income for the period	(10,639)	9,331
Attributable to equity shareholders of the Company	(10,639)	9,331

The notes on pages 22 to 44 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		At 30 June 2022 <i>HKD'000</i> (unaudited)	At 31 December 2021 <i>HKD'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	11	186,233	65,744
Right-of-use assets	12	52,244	4,223
Investment properties	13	267,154	244,181
Intangible assets		1,951	—
Goodwill	21	3,855	—
Financial assets at fair value through other comprehensive income	14	6,595	133,162
Finance lease receivables	15	7,392	12,546
		<u>525,424</u>	<u>459,856</u>
Current assets			
Inventories		2,791	—
Trade and other receivables	16	853,419	880,213
Current portion of finance lease receivables	15	18,477	13,842
Financial assets at fair value through profit or loss	17	928	84,546
Pledged bank deposits		52,127	97,960
Cash and cash equivalents		61,962	15,442
		<u>989,704</u>	<u>1,092,003</u>
Current liabilities			
Trade and bills payables	18	175,341	310,762
Other payables, accrued charges and deferred income		85,391	24,206
Contract liabilities		12,279	11,144
Borrowings	19	487,459	493,502
Lease liabilities		2,975	1,614
Tax payable		4,508	218
		<u>676,953</u>	<u>841,446</u>
Net current assets		<u>221,751</u>	<u>250,557</u>
Total assets less current liabilities		<u>747,175</u>	<u>710,413</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2022

		At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Non-current liabilities			
Borrowings	19	25,767	29,587
Lease liabilities		51,986	2,928
Deferred tax liabilities		33,645	31,482
		<u>111,398</u>	<u>63,997</u>
NET ASSETS		<u>635,777</u>	<u>646,416</u>
CAPITAL AND RESERVES			
Share capital	20	78,000	78,000
Reserves		557,775	568,414
Equity attributable to equity shareholders of the Company		<u>635,775</u>	<u>646,414</u>
Non-controlling interests		<u>2</u>	<u>2</u>
TOTAL EQUITY		<u>635,777</u>	<u>646,416</u>

Approved and authorised for issue by the board of directors on 26 August 2022.

Liao Nangang
Director

Qian Pu
Director

The notes on pages 22 to 44 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity shareholders of the Company						Non-controlling interests HKD'000	Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Fair value reserve HKD'000	Exchange reserve HKD'000	Retained profits HKD'000	Sub-total HKD'000		
At 1 January 2021 (audited)	58,000	362,134	(25,816)	20,759	115,710	530,787	2	530,789
Changes in equity for the six months ended 30 June 2021:								
Profit for the period	—	—	—	—	12,827	12,827	—	12,827
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	—	—	—	3,964	—	3,964	—	3,964
Fair value change of financial assets at fair value through other comprehensive income, net of nil tax	—	—	(7,460)	—	—	(7,460)	—	(7,460)
Total comprehensive income/(loss) for the period	—	—	(7,460)	3,964	12,827	9,331	—	9,331
Issuance of new shares (Note 20)	20,000	178,225	—	—	—	198,225	—	198,225
At 30 June 2021 (unaudited)	<u>78,000</u>	<u>540,359</u>	<u>(33,276)</u>	<u>24,723</u>	<u>128,537</u>	<u>738,343</u>	<u>2</u>	<u>738,345</u>
At 1 January 2022 (audited)	78,000	540,359	(114,143)	32,136	110,062	646,414	2	646,416
Changes in equity for the six months ended 30 June 2022:								
Profit for the period	—	—	—	—	31,266	31,266	—	31,266
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	—	—	—	(24,595)	—	(24,595)	—	(24,595)
Fair value change of financial assets at fair value through other comprehensive income, net of nil tax	—	—	(17,310)	—	—	(17,310)	—	(17,310)
Total comprehensive (loss)/income for the period	—	—	(17,310)	(24,595)	31,266	(10,639)	—	(10,639)
Transfer of accumulated loss on disposal of equity instruments at fair value through other comprehensive income to retained profits (Note 14)	—	—	60,682	—	(60,682)	—	—	—
At 30 June 2022 (unaudited)	<u>78,000</u>	<u>540,359</u>	<u>(70,771)</u>	<u>7,541</u>	<u>80,646</u>	<u>635,775</u>	<u>2</u>	<u>635,777</u>

The notes on pages 22 to 44 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited)
Net cash used in operating activities		(89,311)	(273,777)
Investing activities			
Purchase of property, plant and equipment		(729)	(14)
Purchase of intangible assets		(826)	—
Purchase of financial assets at fair value through profit or loss		(912)	(70,456)
Proceeds from disposal of financial assets at fair value through profit or loss		83,320	279,856
Proceeds from disposal of financial assets at fair value through other comprehensive income		91,000	—
Acquisition of subsidiaries, net of cash acquired	21	(85,466)	—
Decrease/(increase) in pledged bank deposits		42,845	(36,534)
Dividend received		35,060	8,000
Net cash generated from investing activities		164,292	180,852
Financing activities			
Capital element of lease rental paid		(785)	(1,022)
Interest element of lease rental paid		(112)	(169)
Net proceeds from issue of ordinary shares	20	—	198,225
Repayment of bonds		—	(189,927)
Proceeds from new loans		—	79,134
Repayment of loans		(9,162)	(14,323)
Other financing cash flows		(16,462)	(25,267)
Net cash (used in)/generated from financing activities		(26,521)	46,651
Net increase/(decrease) in cash and cash equivalents		48,460	(46,274)
Cash and cash equivalents at the beginning of the period		15,442	118,630
Effect of foreign exchange rate changes		(1,940)	1,176
Cash and cash equivalents at the end of the period		61,962	73,532

The notes on pages 22 to 44 form part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL

Pak Tak International Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong is Unit 1902, 19th Floor, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the supply chain business, leasing business, property investment, money lending business, securities investment, and hotel management and catering services.

The condensed consolidated financial statements of the Company and its subsidiaries (together the “**Group**”) are presented in Hong Kong dollars (“**HKD**”) which is same as the functional currency of the Company. The condensed consolidated financial statements are presented in the nearest thousand (HKD’000) unless otherwise stated.

2. BASIS OF PRESENTATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2021 which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes resulting from adoption of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group upon the acquisition of subsidiaries (note 21) that are expected to be reflected in the 2022 annual financial statements. Details of changes in accounting policies and new accounting policies are set out in Note 3.

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial information is unaudited, but has been reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the HKICPA.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

3. CHANGES IN ACCOUNTING POLICIES

Adoption of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

- Amendment to HKFRS 3, Reference to the Conceptual Framework;
- Amendments to HKAS 16, Property, plant and equipment: Proceeds before Intended Use;
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous Contracts — Cost of Fulfilling a Contract;
- Annual improvements to HKFRSs 2018-2020 Cycle

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

Amendments to HKAS 16, Property, plant and equipment: Proceeds before Intended Use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous Contracts — Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The application of the amendments has had no material impact on the Group's financial position and performance.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

New accounting policies arising from acquisition of subsidiaries that are not included in the consolidated financial statements for the year ended 31 December 2021

(a) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Website	5 years
— Point-of-Sale system	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

4. REVENUE AND SEGMENT REPORTING

The chief operating decision-maker (“**CODM**”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting for purpose of allocating resources to, and assessing the performance of, the Group’s various businesses. The Group is organised into business units based on their products and services and has six reportable operating segments under HKFRS 8 “Operating Segments” which were as follows:

- (i) Supply chain business;
- (ii) Leasing business;
- (iii) Property investment;
- (iv) Money lending business;
- (v) Securities investment; and
- (vi) Hotel management and catering services.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the period, the Group commenced the business engaging in hotel management and catering along with the acquisition of subsidiaries (as detailed in Note 21), and it is considered as a new operating and reportable segment by the CODM.

The Group’s operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the condensed consolidated financial statements.

The CODM assesses the performance of the operating segments based on a measure of reportable segment results. This measurement basis excludes certain other net gains/losses, finance costs, other revenue and unallocated expenses.

Segment assets mainly exclude certain assets that are managed on a central basis. Segment liabilities mainly exclude deferred tax liabilities and certain other liabilities that are managed on a central basis.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
— Sales of goods from supply chain business	338,876	583,884
— Sales of food and beverage products from hotel management and catering services	24,165	—
— Hotel room service income	1,299	—
— Management fee income from hotel management services	2,614	—
— Handling fee income from supply chain financing arrangements	500	1,992
	<u>367,454</u>	<u>585,876</u>
Revenue from other sources		
Interest income from supply chain financing arrangements	3,140	5,086
Finance lease income	896	1,953
Gross rentals from investment properties		
— Lease payment that are fixed	3,194	2,821
Loan interest income	—	1,763
	<u>7,230</u>	<u>11,623</u>
	<u>374,684</u>	<u>597,499</u>
Disaggregated by geographical location of customers		
— The People's Republic of China (the "PRC")	374,684	595,736
— Hong Kong (place of domicile)	—	1,763
	<u>374,684</u>	<u>597,499</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Information about profit or loss

Six months ended 30 June 2022 (unaudited)	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition							
Point in time	339,376	—	—	—	—	24,165	363,541
Over time	3,140	896	2,837	—	—	4,270	11,143
Revenue from external customers	342,516	896	2,837	—	—	28,435	374,684
Segment result	23,613	(526)	2,989	(2,689)	(40)	(8,781)	14,566
Reconciliation:							
Interest income							1,038
Other revenue and other net gains							36,136
Corporate and other unallocated expenses							(772)
Finance costs							(17,206)
Profit before taxation							33,762
Income tax expense							(2,496)
Profit for the period							31,266
Six months ended 30 June 2021 (unaudited)	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition							
Point in time	585,876	161	—	—	—	—	586,037
Over time	5,086	1,792	2,821	1,763	—	—	11,462
Revenue from external customers	590,962	1,953	2,821	1,763	—	—	597,499
Segment result	24,510	187	17,740	(1,411)	362	—	41,388
Reconciliation:							
Interest income							1,665
Other revenue and other net gains							8,287
Corporate and other unallocated expenses							(6,130)
Finance costs							(25,436)
Profit before taxation							19,774
Income tax expense							(6,947)
Profit for the period							12,827

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(c) Information about assets and liabilities

At 30 June 2022 (unaudited)	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Segment assets	<u>871,225</u>	<u>26,764</u>	<u>240,583</u>	<u>10,082</u>	<u>6,740</u>	<u>279,224</u>	1,434,618
Reconciliation: Corporate and other unallocated assets							<u>80,510</u>
Total assets							<u>1,515,128</u>
Segment liabilities	<u>644,031</u>	<u>7,841</u>	<u>32,500</u>	<u>1,034</u>	<u>—</u>	<u>159,616</u>	845,022
Reconciliation: Deferred tax liabilities Corporate and other unallocated liabilities							<u>33,645</u>
							<u>684</u>
Total liabilities							<u>879,351</u>
At 31 December 2021 (audited)	Supply chain business HKD'000	Leasing business HKD'000	Property investment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Hotel management and catering services HKD'000	Total HKD'000
Segment assets	<u>1,061,679</u>	<u>28,705</u>	<u>248,040</u>	<u>12,573</u>	<u>133,546</u>	<u>—</u>	1,484,543
Reconciliation: Corporate and other unallocated assets							<u>67,316</u>
Total assets							<u>1,551,859</u>
Segment liabilities	<u>819,776</u>	<u>10,228</u>	<u>35,766</u>	<u>976</u>	<u>—</u>	<u>—</u>	866,746
Reconciliation: Deferred tax liabilities Corporate and other unallocated liabilities							<u>31,482</u>
							<u>7,215</u>
Total liabilities							<u>905,443</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

5. OTHER REVENUE AND OTHER NET GAINS

	Six months ended 30 June	
	2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited)
Other revenue		
Dividend income from equity investments	35,803	8,000
Interest income	1,038	1,665
Sundry income	333	287
	37,174	9,952
Other net gains		
Fair value change of financial assets at fair value through profit or loss	863	3,640

6. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited)
Profit from operations has been arrived at after charging/ (crediting):		
Depreciation on property, plant and equipment	5,463	1,035
Depreciation on right-of-use assets	2,593	1,052
Amortisation of intangible assets	121	—
Reversal of ECL allowance on trade receivables	(1,328)	(310)
(Reversal of)/provision for ECL allowance on other receivables	(518)	231
Provision for/(reversal of) ECL allowance on finance lease receivables	12	(150)

7. FINANCE COSTS

The finance costs represent interests on bank loans, lease liabilities and other borrowings for the respective periods.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
— Over-provision in respect of prior year	(108)	—
Current tax – the PRC Enterprise Income Tax		
— Current income tax	2,884	3,124
	<u>2,776</u>	<u>3,124</u>
Deferred tax		
— The PRC	(280)	3,823
	<u>(280)</u>	<u>3,823</u>
Income tax expense	<u>2,496</u>	<u>6,947</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated or domiciled in Hong Kong have no assessable profits or sustained tax losses for taxation purpose for both interim periods.

The subsidiaries in the PRC are subject to a corporation income tax rate of 25%. Provision for income tax has been made by the Company's subsidiaries for the six months ended 30 June 2022 and 30 June 2021.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue during the interim period.

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to equity shareholders of the Company	31,266	12,827
	<u>31,266</u>	<u>12,827</u>
Number of shares		
Weighted average number of ordinary shares in issue	3,900,000	3,441,436
	<u>3,900,000</u>	<u>3,441,436</u>

Basic earnings per share are the same as the diluted earnings per share as the Company has no dilutive potential shares.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group's additions to property, plant and equipment were related to acquisition at a cost of HKD729,000 and additions of HKD130,506,000 as a result of acquisition of subsidiaries (Note 21).

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of HKD14,000.

12. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, there was no addition of right-of-use assets except for certain right-of-use assets of HKD53,435,000 regarding leases of office, factory and restaurants in the PRC acquired as a result of the acquisition of subsidiaries (Note 21).

During the six months ended 30 June 2021, the Group did not enter into any new lease.

The leases of offices, factory and restaurants in the PRC contain minimum annual lease payment terms that are fixed. These payment terms are common in the PRC where the Group operates.

13. INVESTMENT PROPERTIES

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
At the beginning of the period/year	244,181	221,443
Additions arising from the acquisition of subsidiaries (Note 21)	34,639	—
Exchange realignment	(12,348)	6,317
Fair value gain	682	16,421
	<u>267,154</u>	<u>244,181</u>
At the end of the period/year	267,154	244,181

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties are situated in the PRC and are held under a medium-term lease.

At 30 June 2022, the Group's investment properties with an aggregate carrying amount of HKD234,253,000 (31 December 2021: HKD244,181,000) were pledged to a bank for loans granted to the Group (Note 19).

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

13. INVESTMENT PROPERTIES (Continued)

Fair value measurement of the Group's investment properties (Continued)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair values of the Group's investment properties located at two different locations have been arrived at on the basis of valuation performed by 深圳市國正信資產評估土地房地產估價有限公司 and ROMA Appraisals Limited respectively, independent qualified professional valuers not connected with the Group.

The fair values of the Group's investment properties at 30 June 2022 and 31 December 2021 are determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a discount specific to the quality and location of the properties compared to the recent sales, and are therefore grouped into Level 3 of fair value measurement. During the reporting period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Listed equity securities in Hong Kong	6,595	23,162
— Unlisted equity securities in Hong Kong	—	110,000
	<u>6,595</u>	<u>133,162</u>

At 31 December 2021, certain listed equity securities with an aggregate carrying amount of HKD3,796,000 were pledged to an independent third party for other borrowings granted to the Group (Note 19). At 30 June 2022, the pledge was released upon the repayment of other borrowings.

The unlisted equity securities are 13,921,278 ordinary shares held in Golden Affluent Limited ("Golden Affluent"). Golden Affluent is incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding and its subsidiaries are engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC. The Group designated its investment in Golden Affluent at FVOCI (non-recycling) as the investment is held for strategic purposes.

During the six months ended 30 June 2022, the Group disposed of all equity securities of Golden Affluent with carrying amount of approximately HKD110,000,000, the related balance in the fair value reserve in amount of approximately HKD60,682,000 was reclassified to retained profits. In addition, dividend income of approximately HKD35,060,000 was recognised from these equity securities of Golden Affluent during the six months ended 30 June 2022.

Changes in fair value of those equity securities are recognised in other comprehensive income and accumulated within the fair value reserve within equity. The Group transfers amounts from this reserve to retained profits when the relevant equity securities are derecognised.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

15. FINANCE LEASE RECEIVABLES

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Non-current finance lease receivables	7,521	12,763
Current finance lease receivables	<u>18,799</u>	<u>14,084</u>
	<u>26,320</u>	<u>26,847</u>
Less: Expected credit loss allowance		
— Non-current portion	(129)	(217)
— Current portion	<u>(322)</u>	<u>(242)</u>
	<u>(451)</u>	<u>(459)</u>
	<u>25,869</u>	<u>26,388</u>

The total minimum lease payments receivable under finance leases and their present values are as follows:

	Minimum lease payments receivable		Present value of minimum lease payments	
	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Within 1 year	19,243	14,565	18,799	14,084
After 1 year but within 2 years	6,479	9,017	6,454	8,969
After 2 years but within 3 years	1,071	3,683	1,067	3,675
After 3 years but within 4 years	<u>—</u>	<u>122</u>	<u>—</u>	<u>119</u>
	<u>26,793</u>	27,387	<u>26,320</u>	26,847
Less: Unearned interest income	<u>(473)</u>	<u>(540)</u>	<u>—</u>	<u>—</u>
Present value of minimum lease payments receivable	<u>26,320</u>	<u>26,847</u>	<u>26,320</u>	<u>26,847</u>

Certain motor vehicles and machinery are leased out under finance leases with lease terms of 24 to 48 months (31 December 2021: 24 to 48 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is ranging from 6.2% to 10% (31 December 2021: 6.2% to 12%) per annum.

Finance lease receivables are secured over the motor vehicles and machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Trade receivables, net of expected credit loss allowance	739,206	624,462
Other receivables, net of expected credit loss allowance	<u>100,304</u>	<u>109,453</u>
	839,510	733,915
Deposits and prepayments	<u>13,909</u>	<u>146,298</u>
	<u>853,419</u>	<u>880,213</u>

The ageing analysis of trade receivables (net of expected credit loss allowances) as at the end of the reporting period, based on invoice date, is as follows:

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Within 1 month	10,444	271,387
1 to 3 months	94,615	188,058
3 to 12 months	633,057	160,444
Over 12 months	<u>1,090</u>	<u>4,573</u>
	<u>739,206</u>	<u>624,462</u>

Trade receivables are generally due within 30 to 365 days (31 December 2021: 30 to 365 days) from the date of billing. The ageing analysis of trade receivables (net of expected credit loss allowances) as at the end of the reporting period, based on due date, is as follows:

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Current (not past due)	679,379	555,338
Less than 1 month past due	8,442	12,942
1 to 3 months past due	8,883	26,639
3 to 12 months past due	<u>42,502</u>	<u>29,543</u>
	<u>739,206</u>	<u>624,462</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVPL")

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Held for trading investments at fair value		
— Listed equity securities in Hong Kong	42	82
— Listed equity securities in PRC	886	841
	<u>928</u>	<u>923</u>
Other investments stated at fair value		
— Structured deposits	—	72,847
— Wealth management products	—	10,776
	<u>—</u>	<u>83,623</u>
	<u>928</u>	<u>84,546</u>

Note:

At 31 December 2021, the structured deposits and wealth management products issued by the banks with the aggregate amount of RMB59,492,000 (equivalent to HKD72,847,000) and RMB8,800,000 (equivalent to HKD10,776,000) respectively, which their expected annual returns are ranging from 1.9% to 4.1% and 2.61% respectively. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair values are based on cash flows discounted using the expected return based on the management judgement and are within Level 2 of fair value hierarchy.

All the structured deposits and wealth management products were redeemed during the six months ended 30 June 2022.

All structured deposits as at 31 December 2021 were pledged to the banks as guarantee deposits for certain bills payable made available to the Group and the relevant pledged terms were released upon the settlement during the six months ended 30 June 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

18. TRADE AND BILLS PAYABLES

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Trade payables	82,800	90,062
Bills payables	92,541	220,700
	<u>175,341</u>	<u>310,762</u>

The ageing analysis of trade and bills payables as at the end of the reporting period, based on invoice date, is as follows:

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Within 1 month	12,440	35,005
1 to 3 months	22,678	32,653
3 to 12 months	140,223	240,639
Over 12 months	—	2,465
	<u>175,341</u>	<u>310,762</u>

At 30 June 2022, the Group had bills payables of HKD92,541,000 (31 December 2021: HKD220,700,000) were secured by pledged bank deposits (31 December 2021: structured deposits and pledged bank deposits).

19. BORROWINGS

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Bank loans, secured (Note (a))	513,226	517,089
Other borrowings, secured (Note (b))	—	6,000
	<u>513,226</u>	<u>523,089</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

19. BORROWINGS (Continued)

The maturity profile of borrowings, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	At 30 June 2022 HKD'000 (unaudited)	At 31 December 2021 HKD'000 (audited)
Within 1 year	487,459	493,502
After 1 year but within 2 years	5,316	5,385
After 2 years but within 5 years	20,451	24,202
	513,226	523,089
Less: Amount due within one year or repayable on demand classified as current liabilities	(487,459)	(493,502)
	25,767	29,587

Notes:

- (a) At 30 June 2022, bank loans comprised Bank Loan 1, Bank Loan 2, Bank Loan 3, Bank Loan 4 and Bank Loan 5 with principal amount of RMB26,255,000 (equivalent to HKD30,755,000) (31 December 2021: RMB28,286,000 (equivalent to HKD34,636,000)), RMB280,000,000 (equivalent to HKD327,992,000) (31 December 2021: RMB280,000,000 (equivalent to HKD342,860,000)), RMB114,000,000 (equivalent to HKD133,540,000) (31 December 2021: RMB114,000,000 (equivalent to HKD139,593,000)), RMB8,200,000 (equivalent to HKD9,605,000) (31 December 2021: Nil) and RMB9,675,000 (equivalent to HKD11,334,000) (31 December 2021: Nil) respectively.

Bank Loan 1 is secured by certain investment properties of the Group (Note 13) and is repayable by instalments up to 2027. Interest is charged at Prime rate of The People's Bank of China ("PBOC") plus 30% of PBOC Prime rate per annum.

Bank Loan 2 is secured by corporate guarantee executed by the Company and its certain subsidiaries and certain properties owned by an independent third party and is repayable within one year. Interest is charged at a fixed rate of 5.4% (31 December 2021: 5.4%) per annum.

Bank Loan 3 is secured by properties owned by independent third parties and is repayable within one year. Interest is charged at a fixed rate of 6.5% (31 December 2021: 6.5%) per annum.

Bank Loan 4 is secured by personal guarantee executed by an independent third party, certain property owned by another independent third party and is repayable within one year. Interest is charged at a fixed rate of 4.05% per annum.

Bank Loan 5 is secured by personal guarantee executed by an independent third party, certain property owned by another independent third party and is repayable within one year. Interest is charged at a fixed rate of 4.05% per annum.

Above-mentioned third parties represent the business associates of the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

19. BORROWINGS (Continued)

Notes: (Continued)

- (b) At 31 December 2021, other borrowing with principal amount of HKD6,000,000 was obtained from an independent third party. The loan was secured by certain listed equity securities classified as financial assets at fair value through other comprehensive income held by the Group (see Note 14) and the corporate guarantee executed by the Company. Interest was charged at a fixed rate of 10% per annum. This loan was fully repaid during the six months ended 30 June 2022.

20. SHARE CAPITAL

Authorised and issued share capital

	Six months ended 30 June 2022		Six months ended 30 June 2021	
	No. of shares '000	HKD'000	No. of shares '000	HKD'000
Authorised:				
At the beginning and end of the period	<u>10,000,000</u>	<u>200,000</u>	<u>10,000,000</u>	<u>200,000</u>
Ordinary shares, issued and fully paid:				
At the beginning of the period	<u>3,900,000</u>	<u>78,000</u>	<u>2,900,000</u>	<u>58,000</u>
Issue of shares	<u>—</u>	<u>—</u>	<u>1,000,000</u>	<u>20,000</u>
At the end of the period	<u>3,900,000</u>	<u>78,000</u>	<u>3,900,000</u>	<u>78,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 24 March 2021, the Company issued 720,000,000 ordinary shares of HKD0.02 each under placing agreement to an independent third party at the placing price of HKD0.20 per share for a total cash consideration of approximately HKD144,000,000. On the same date, the Company issued 280,000,000 ordinary shares of HKD0.02 each under subscription agreement to one existing substantial shareholder of the Company at the subscription price of HKD0.20 per share for a total cash consideration of approximately HKD56,000,000. Net proceeds of approximately HKD198,225,000, after deducting direct transaction costs, were received upon the completion of the issue of ordinary shares.

21. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

On 1 April 2022, the Group acquired 100% issued shares of Foresight Industrial Group Limited ("Foresight Industrial") from an independent third party at a cash consideration of approximately HKD120,000,000. Upon the completion of the transaction, the Foresight Industrial will become a wholly-owned subsidiary of the Company and the consolidated financial statements of the Foresight Industrial and its subsidiaries ("Foresight Industrial Group") were therefore consolidated into the consolidated financial statements of the Company. Foresight Industrial Group is principally engaged in hotel operations and management, and provision of food and beverage catering services in the PRC. The primary reason for the above acquisition is to diversify the business risks and to expand the income streams of the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

21. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION (Continued)

Fair value of identifiable assets and liabilities of Foresight Industrial Group at the date of acquisition

HKD'000

Assets

Investment properties	34,639
Property, plant and equipment	130,506
Right-of-use assets	53,435
Intangible assets	1,346
Inventories	3,160
Trade and other receivables	54,404
Cash and cash equivalents	34,534

Liabilities

Trade and other payables	(109,008)
Contract liabilities	(5,356)
Borrowings	(22,786)
Lease liabilities	(53,435)
Tax payables	(1,606)
Deferred tax liabilities	(3,688)

Fair value of identifiable net assets of Foresight Industrial Group	116,145
Goodwill arising on acquisition	3,855

Total consideration	120,000
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Net cash outflow arising on acquisition

HKD'000

Cash consideration	(120,000)
Less: Cash and cash equivalents acquired	34,534

Net cash outflow	(85,466)
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The receivables acquired (which principally comprised trade receivables) with a fair value of HKD54,404,000 at the date of acquisition had gross amount of HKD54,404,000. The best estimate at acquisition date is that all the contractual cash flows are expected to be collected.

Goodwill arose from the above acquisition by the Group is mainly attributable to the benefit of expected revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Impact of acquisition on the results of the Group

The acquired subsidiaries contributed approximately HKD28,435,000 to the Group's revenue and resulted loss of approximately HKD8,781,000 for the period between the date of acquisition and the end of the reporting period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

21. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION (Continued)

Fair value of identifiable assets and liabilities of Foresight Industrial Group at the date of acquisition (Continued)

Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the six months ended 30 June 2022 would have been approximately HKD405,602,000 and the amount of the profit for the period would have been approximately HKD26,154,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

22. PLEDGE OF ASSETS

As at 30 June 2022, the Group has the following charges on its assets:

- (i) Certain investment properties of the Group with carrying amount of approximately HKD234,253,000 (31 December 2021: approximately HKD244,181,000) were pledged to banks for loans granted to the Group which are disclosed in Note 19.
- (ii) None of listed equity securities classified as financing assets at fair value through other comprehensive income of the Group (31 December 2021: certain listed equity securities with carrying amount of HKD3,796,000) were pledged to an independent third party for other borrowings granted to the Group which are disclosed in Note 19.
- (iii) The structured deposits and pledged bank deposits of the Group with carrying amount of approximately HKD Nil (31 December 2021: HKD72,847,000) and HKD52,127,000 (31 December 2021: HKD97,960,000) were pledged as guarantee deposits for bills payable made available to the Group which are disclosed in Note 18.

23. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,173	2,742
Contributions to defined contribution retirement plan	82	95
	<u>2,255</u>	<u>2,837</u>

(b) Other related party transactions

The Group did not enter into other significant related party transactions during both interim periods.

(c) Related party balances

At 30 June 2022 and 2021, the Group had no balances dealt with its related parties.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table represents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group's finance department led by the group financial controller performs the valuations of financial assets, including level 3 fair values, required for financial reporting purposes and independent external valuers will be engaged for expert opinions if needed. Discussions of valuation processes and results are held by the board members and Audit Committee at least twice every year, which is in line with the Group's reporting periods.

The following table presents the Group's assets that are measured at fair value at the end of the reporting periods:

	Fair value at 30 June 2022	Fair value measurements as at 30 June 2022 (unaudited) categorised into			Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 (audited) categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
		HKD'000	HKD'000	HKD'000		HKD'000	HKD'000	HKD'000
Recurring fair value measurements financial assets:								
Financial assets measured at FVOCI								
— Listed equity securities	6,595	6,595	—	—	23,162	23,162	—	—
— Unlisted equity securities	—	—	—	—	110,000	—	—	110,000
Financial assets measured at FVPL								
— Listed equity securities	928	928	—	—	923	923	—	—
— Structured deposits	—	—	—	—	72,847	—	72,847	—
— Wealth management products	—	—	—	—	10,776	—	10,776	—

During the six months ended 30 June 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Percentage
Unlisted equity instrument	Market approach	Discount for lack of marketability	15.0%

As at 31 December 2021, the fair value of unlisted equity securities was determined using the price-to-earning ratio of comparable listed companies adjusted for lack of marketability discount. The fair value measurement was negatively correlated to the discount for lack of marketability. It was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% had resulted in increase/decrease in the Group's other comprehensive income of HKD3,000,000.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Unquoted equity investments:		
At 1 January	110,000	180,123
Change in fair value recognised in other comprehensive income during the period	—	3,805
Disposals	(110,000)	—
At 30 June	—	183,928

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2022 and 31 December 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment, intangible assets and right-of-use assets

In considering the impairment loss or reversal of impairment loss that may be required for certain property, plant and equipment, intangible assets and right-of-use assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value-in-use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

An increase or decrease in the above impairment loss would affect the operating results in the year and future years.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules in various jurisdictions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in respective tax legislation.

Deferred tax assets/liabilities are recognised for tax losses not yet utilised, taxable temporary differences arising from revaluation of investment properties and other deductible or taxable temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the unused tax loss can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

25. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions including unobservable inputs. In relying on the valuation reports, the directors of the Group have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss that would be recognised in profit or loss. Details of these are set out in Note 13.

(e) Provision of ECLs for trade and other receivables

The Group uses a provision of matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the historical credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

Impairment loss on other receivables represent management's best estimate of losses incurred under ECL models. Management assesses whether the credit risk of other receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECL. The Group is required to exercise judgement in making assumptions and estimates when calculating impairment loss on other receivables, including historical loss experience on the basis of the relevant observable data that reflects current economic conditions, all of which involves significant management judgments and assumptions.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade and other receivables are disclosed in Note 16. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(f) Determining the lease term

The lease liability is initially recognized at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date of leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying assets to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

26. CONTINGENT LIABILITIES

As at 30 June 2022, the Group has no significant contingent liabilities (31 December 2021: nil).

27. CAPITAL COMMITMENT

As at 30 June 2022, the Group has no significant capital commitment (31 December 2021: nil).

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.