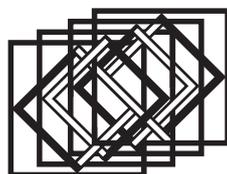


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## **PAK TAK INTERNATIONAL LIMITED**

**(百德國際有限公司)\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2668)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **UNAUDITED INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Pak Tak International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Interim Results**”) as follows:

*\* for identification purpose only*

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HKD'000 (unaudited)	2022 HKD'000 (unaudited)
<b>Revenue</b>	3	<b>79,501</b>	374,684
Other revenue	4	1,174	37,174
Other net gain	4	584	863
Fair value (loss)/gain on investment properties	12	(3,230)	682
Impairment losses under expected credit loss model, net of reversal	14	(49,360)	1,834
Direct costs and operating expenses		(67,452)	(327,576)
Administrative expenses		(20,731)	(36,693)
		<hr/>	<hr/>
<b>(Loss)/profit from operations</b>	5	<b>(59,514)</b>	50,968
Finance costs	6	(12,512)	(17,206)
		<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>		<b>(72,026)</b>	33,762
Income tax expense	7	(2,145)	(2,496)
		<hr/>	<hr/>
<b>(Loss)/profit for the period</b>		<b>(74,171)</b>	31,266
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
— Equity shareholders of the Company		(74,104)	31,266
— Non-controlling interest		(67)	—
		<hr/>	<hr/>
<b>(Loss)/profit for the period</b>		<b>(74,171)</b>	31,266
		<hr/> <hr/>	<hr/> <hr/>
<b>(Loss)/earnings per share</b>	8		
— Basic and diluted (in HK cents)		(1.90)	0.80
		<hr/> <hr/>	<hr/> <hr/>

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

*For the six months ended 30 June 2023*

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>HKD'000</i>	<i>HKD'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>(Loss)/profit for the period</b>	<b>(74,171)</b>	<b>31,266</b>
<b>Other comprehensive loss for the period:</b>		
<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	<b>(16,461)</b>	<b>(24,595)</b>
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value loss of financial assets at fair value through other comprehensive income, net of nil tax	<b>(1,704)</b>	<b>(17,310)</b>
<b>Total comprehensive loss for the period</b>	<b><u>(92,336)</u></b>	<b><u>(10,639)</u></b>
<b>Attributable to:</b>		
— Equity shareholders of the Company	<b>(92,272)</b>	<b>(10,639)</b>
— Non-controlling interest	<b>(64)</b>	<b>—</b>
<b>Total comprehensive loss for the period</b>	<b><u>(92,336)</u></b>	<b><u>(10,639)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		At 30 June 2023 <i>HKD'000</i> (unaudited)	At 31 December 2022 <i>HKD'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	82,810	87,932
Right-of-use assets	<i>11</i>	15,331	17,440
Investment properties	<i>12</i>	325,868	344,108
Intangible assets		1,355	1,660
Deferred tax assets		4,782	6,509
Financial assets at fair value through other comprehensive income		2,768	4,472
		432,914	462,121
<b>Current assets</b>			
Inventories		1,627	1,892
Trade and other receivables	<i>13</i>	582,998	759,107
Finance lease receivables		25,686	27,650
Financial assets at fair value through profit or loss		632	434
Tax recoverable		650	–
Pledged bank deposits		–	38,919
Cash and cash equivalents		38,945	37,684
		650,538	865,686
<b>Current liabilities</b>			
Trade and bills payables	<i>15</i>	76,117	152,386
Other payables and accrued charges		75,369	82,937
Contract liabilities		19,275	14,847
Borrowings	<i>16</i>	342,556	415,474
Lease liabilities		5,381	2,603
Tax payable		479	657
		519,177	668,904
<b>Net current assets</b>		131,361	196,782
<b>Total assets less current liabilities</b>		564,275	658,903

		At 30 June 2023 <i>HKD'000</i> (unaudited)	At 31 December 2022 <i>HKD'000</i> (audited)
<b>Non-current liabilities</b>			
Borrowings	<i>16</i>	32,854	32,976
Lease liabilities		14,976	19,874
Deferred tax liabilities		36,298	37,130
		<hr/>	<hr/>
		84,128	89,980
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>480,147</b>	<b>568,923</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital		78,000	78,000
Reserves		398,651	490,923
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>476,651</b>	<b>568,923</b>
<b>Non-controlling interest</b>		<b>3,496</b>	<b>–</b>
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>480,147</b>	<b>568,923</b>
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. 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 2022 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 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of changes in accounting policies and new accounting policies are set out in note 2.

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.

### 2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA, that are relevant to the Group, to this interim financial report for the current accounting period:

- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform - Pillar Two model rules

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new or amended standard or interpretation that is not yet effective for the current accounting period.

### 3. 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 three reportable operating segments under HKFRS 8 "Operating Segments" which were as follows:

- (i) Supply chain business;
- (ii) Property investment; and
- (iii) Hotel management and catering services.

In addition to the above reportable segments, other operating segments include leasing business, money lending business and securities investment which were being reported as separate segments in prior period. None of these segments met the quantitative thresholds for the reportable segments in both current and prior period. Accordingly, these were grouped in "Others". Prior period segment disclosures have been represented to conform with current period's presentation.

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.

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 deferred tax assets and certain other 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.

(a) Disaggregation of revenue

	Six months ended 30 June	
	2023 HKD'000 (unaudited)	2022 HKD'000 (unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products of service lines		
— Sales of goods from supply chain business	14,937	338,876
— Sales of food and beverage products from hotel management and catering services	53,424	24,165
— Hotel room service income	—	1,299
— Management fee income from hotel management services	5,961	2,614
— Handling fee income from supply chain financing arrangements	360	500
	<u>74,682</u>	<u>367,454</u>
<b>Revenue from other sources</b>		
Interest income from supply chain financing arrangements	1,515	3,140
Finance lease income	—	896
Gross rentals from investment properties		
— Lease payments that are fixed	3,304	3,194
	<u>4,819</u>	<u>7,230</u>
	<u><u>79,501</u></u>	<u><u>374,684</u></u>

All the Group's revenue is derived from its operations in the People's Republic of China (the "PRC") for both interim periods.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Information about profit or loss

Six months ended 30 June 2023 (unaudited)	Supply chain business <i>HKD'000</i>	Property investment <i>HKD'000</i>	Hotel management and catering services <i>HKD'000</i>	Others <i>HKD'000</i>	Total <i>HKD'000</i>
<b>Disaggregated by timing of revenue recognition</b>					
Point in time	15,297	–	53,424	–	68,721
Over time	1,515	1,329	7,936	–	10,780
<b>Revenue from external customers</b>	<b>16,812</b>	<b>1,329</b>	<b>61,360</b>	<b>–</b>	<b>79,501</b>
<b>Segment result</b>	<b>(53,419)</b>	<b>(4,508)</b>	<b>4,047</b>	<b>(2,411)</b>	<b>(56,291)</b>
Reconciliation:					
Interest income					1,174
Corporate and other unallocated expenses					(4,397)
Finance costs					(12,512)
Loss before taxation					(72,026)
Income tax expense					(2,145)
Loss for the period					(74,171)

<b>Six months ended</b> <b>30 June 2022 (unaudited)</b>	<b>Supply chain business</b> <i>HKD'000</i>	<b>Property investment</b> <i>HKD'000</i>	<b>Hotel management and catering services</b> <i>HKD'000</i>	<b>Others</b> <i>HKD'000</i>	<b>Total</b> <i>HKD'000</i>
<b>Disaggregated by timing of revenue recognition</b>					
Point in time	339,376	–	24,165	–	363,541
Over time	3,140	2,837	4,270	896	11,143
<b>Revenue from external customers</b>	<u>342,516</u>	<u>2,837</u>	<u>28,435</u>	<u>896</u>	<u>374,684</u>
<b>Segment result</b>	<u>23,613</u>	<u>2,989</u>	<u>(8,781)</u>	<u>(3,255)</u>	14,566
Reconciliation:					
Interest income					1,038
Other revenue					36,136
Corporate and other unallocated expenses					(772)
Finance costs					<u>(17,206)</u>
Profit before taxation					33,762
Income tax expense					<u>(2,496)</u>
Profit for the period					<u>31,266</u>

(c) **Information about assets and liabilities**

<b>At 30 June 2023 (unaudited)</b>	<b>Supply chain business <i>HKD'000</i></b>	<b>Property investment <i>HKD'000</i></b>	<b>Hotel management and catering services <i>HKD'000</i></b>	<b>Others <i>HKD'000</i></b>	<b>Total <i>HKD'000</i></b>
<b>Segment assets</b>	<b>533,520</b>	<b>218,699</b>	<b>214,457</b>	<b>28,848</b>	<b>995,524</b>
Reconciliation:					
Deferred tax assets					4,782
Corporate and other unallocated assets					83,146
Total assets					<b>1,083,452</b>
<b>Segment liabilities</b>	<b>419,265</b>	<b>28,941</b>	<b>110,490</b>	<b>7,191</b>	<b>565,887</b>
Reconciliation:					
Deferred tax liabilities					36,298
Corporate and other unallocated liabilities					1,120
Total liabilities					<b>603,305</b>
<b>At 31 December 2022 (audited)</b>	<b>Supply chain business <i>HKD'000</i></b>	<b>Property investment <i>HKD'000</i></b>	<b>Hotel management and catering services <i>HKD'000</i></b>	<b>Others <i>HKD'000</i></b>	<b>Total <i>HKD'000</i></b>
<b>Segment assets</b>	<b>746,028</b>	<b>232,609</b>	<b>221,763</b>	<b>36,560</b>	<b>1,236,960</b>
Reconciliation:					
Deferred tax assets					6,509
Corporate and other unallocated assets					84,338
Total assets					<b>1,327,807</b>
<b>Segment liabilities</b>	<b>558,673</b>	<b>32,917</b>	<b>120,878</b>	<b>8,323</b>	<b>720,791</b>
Reconciliation:					
Deferred tax liabilities					37,130
Corporate and other unallocated liabilities					963
Total liabilities					<b>758,884</b>

#### 4. OTHER REVENUE AND OTHER NET GAIN

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
<b>Other revenue</b>		
Dividend income from equity investments	–	35,803
Interest income	1,174	1,038
Sundry income	–	333
	<u>1,174</u>	<u>37,174</u>
<b>Other net gain</b>		
Fair value gain of financial assets at fair value through profit or loss	<u>584</u>	<u>863</u>

#### 5. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
(Loss)/profit from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	4,264	5,463
Depreciation on right-of-use assets	1,407	2,593
Amortisation of intangible assets	<u>221</u>	<u>121</u>

#### 6. FINANCE COSTS

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

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
<b>Current tax - Hong Kong Profits Tax</b>		
— Over-provision in respect of prior years	—	(108)
	<hr/>	<hr/>
<b>Current tax - the PRC Enterprise Income Tax (“EIT”)</b>		
— Current income Tax	503	2,884
— Over-provision in respect of prior years	(678)	—
	<hr/>	<hr/>
	(175)	2,884
	<hr/>	<hr/>
<b>Deferred tax - the PRC</b>	2,320	(280)
	<hr/>	<hr/>
Income tax expense	<b>2,145</b>	<b>2,496</b>
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits. 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 domiciled in the PRC are subject to the EIT which is charged at 25% (2022: 25%).

## 8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to equity shareholders of the Company	<u>(74,104)</u>	<u>31,266</u>
<b>Number of shares</b>	'000	'000
Weighted average number of ordinary shares in issue	<u>3,900,000</u>	<u>3,900,000</u>

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

## 9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, there was no significant acquisition or disposal of 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.

## 11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, there was no addition or early termination of lease.

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 offices, restaurants and a plant in the PRC acquired as a result of the acquisition of subsidiaries.

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

## 12. INVESTMENT PROPERTIES

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.

The valuations of investment properties carried at fair value were updated at 30 June 2023 by the Group's independent valuers using the same valuation techniques as were used by these valuers when carrying out the December 2022 valuations.

As a result of the update, net loss of HKD3,230,000 (2022: net gain of HKD682,000), and deferred tax thereon of HKD808,000 (2022: HKD171,000), has been recognised in profit or loss for the interim period in respect of investment properties.

## 13. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>HKD'000</i> (unaudited)	At 31 December 2022 <i>HKD'000</i> (audited)
Trade receivables, net of expected credit loss allowance	452,708	634,037
Other receivables, net of expected credit loss allowance	100,524	94,913
	<hr/>	<hr/>
	553,232	728,950
Deposits and prepayments	29,766	30,157
	<hr/>	<hr/>
	<b>582,998</b>	<b>759,107</b>
	<hr/> <hr/>	<hr/> <hr/>

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 <b>30 June</b> <b>2023</b> <i>HKD'000</i> <b>(unaudited)</b>	At 31 December 2022 <i>HKD'000</i> (audited)
Within 1 month	5,347	3,493
1 to 3 months	4,325	4,716
3 to 12 months	264,020	557,033
Over 12 months	179,016	68,795
	<u>452,708</u>	<u>634,037</u>

Trade receivables are generally due within 30 to 365 days (31 December 2022: 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 <b>30 June</b> <b>2023</b> <i>HKD'000</i> <b>(unaudited)</b>	At 31 December 2022 <i>HKD'000</i> (audited)
Current (not past due)	294,449	568,088
Less than 1 month past due	2,541	25,783
1 to 3 months past due	3,991	3,485
3 to 12 months past due	134,081	19,328
Over 12 months past due	17,646	17,353
	<u>452,708</u>	<u>634,037</u>

**14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>HKD'000</i>	<i>HKD'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Impairment loss recognised/(reversed) in respect of		
– trade receivables	47,627	(1,328)
– other receivables	(276)	(518)
– finance lease receivables	2,009	12
	<u>49,360</u>	<u>(1,834)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

**15. TRADE AND BILLS PAYABLES**

	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<i>HKD'000</i>	<i>HKD'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade payables	76,117	74,548
Bills payables	–	77,838
	<u>76,117</u>	<u>152,386</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 2023 <i>HKD'000</i> (unaudited)	At 31 December 2022 <i>HKD'000</i> (audited)
Within 1 month	13,726	6,348
1 to 3 months	12,393	9,291
3 to 12 months	7,930	100,193
Over 12 months	42,068	36,554
	<u>76,117</u>	<u>152,386</u>

As at 31 December 2022, the Group had bills payables amounting to HKD77,838,000 which were secured by pledged bank deposits.

## 16. BORROWINGS

	At 30 June 2023 <i>HKD'000</i> (unaudited)	At 31 December 2022 <i>HKD'000</i> (audited)
Bank loans, secured ( <i>note (a)</i> )	362,426	435,996
Other borrowings, secured ( <i>note (b)</i> )	12,984	12,454
	<u>375,410</u>	<u>448,450</u>

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

	<b>At 30 June 2023 HKD'000 (unaudited)</b>	<b>At 31 December 2022 HKD'000 (audited)</b>
Within 1 year	342,556	415,474
After 1 year but within 2 years	7,419	5,864
After 2 years but within 5 years	25,435	27,112
	<b>375,410</b>	448,450
Less: Amount due within one year or repayable on demand classified as current liabilities	<b>(342,556)</b>	(415,474)
Amount due for settlement after one year	<b>32,854</b>	32,976

*Notes:*

- (a) Bank loans comprise Bank Loan 1, Bank Loan 2, Bank Loan 3 and Bank Loan 4.

Bank Loan 1 with principal amount of RMB24,507,000 (equivalent to HKD26,428,000) (31 December 2022: RMB24,507,000 (equivalent to HKD27,646,000)) is secured by certain investment properties of the Group 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 with principal amount of RMB279,000,000 (equivalent to HKD300,874,000) (31 December 2022: RMB279,000,000 (equivalent to HKD314,740,000)) 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% per annum.

Bank Loan 3 with principal amount of RMB22,570,000 (equivalent to HKD24,340,000) (31 December 2022: RMB72,980,000 (equivalent to HKD82,329,000)) is secured by certain properties owned by independent third parties and is repayable within one year. Interest is charged at a fixed rate of 6.5% per annum.

Bank Loan 4 with principal amount of RMB10,000,000 (equivalent to HKD10,784,000) (31 December 2022: RMB10,000,000 (equivalent to HKD11,281,000)) is secured by certain investment properties of the Group and is repayable by instalments up to 2025. Interest is charged at a fixed rate of 5% per annum.

- (b) As at 30 June 2023, other borrowing with principal amount of RMB12,040,000 (equivalent to HKD12,984,000) (31 December 2022: RMB11,040,000 (equivalent to HKD12,454,000)) is obtained from an independent third party. The loan is unsecured and is repayable within one year. Interest is charged at a fixed rate of 6.05% per annum.

## 17. PLEDGE OF ASSETS

As at 30 June 2023, certain investment properties of the Group with an aggregate carrying amount of approximately HKD236,744,000 (31 December 2022: approximately HKD243,706,000) were pledged to banks for loans granted to the Group.

As at 31 December 2022, pledged bank deposit carry fixed interest rate of 1.75% and represent deposits pledged to bank as guarantee deposits for certain bills payable made available to the Group. The pledges were released during the interim period upon the full settlement of the bills payables.

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Key management personnel remuneration

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Salaries, allowances and other benefits	<b>1,913</b>	2,173
Contributions to defined contribution retirement plan	<b>74</b>	82
	<b><u>1,987</u></b>	<b><u>2,255</u></b>

### (b) Other related party transactions

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

### (c) Related party balances

As at 30 June 2023 and 31 December 2022, the Group had no balances dealt with its related parties.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 June 2023, the principal activities of the Group are: (i) supply chain business (the “**Supply Chain Business**”), (ii) hotel management and catering services (“**Hotel Management & Catering Services**”), (iii) property investment (the “**Property Investment**”), and (iv) other businesses included the leasing business, money lending business and securities investment.

### **BUSINESS REVIEW**

#### **Supply Chain Business**

During the six months ended on 30 June 2023, the Supply Chain Business generated HKD16.8 million in revenue, which represents a significant decrease compared to the same period in 2022. The decline can be attributed to the implementation of stricter credit risk control measures in the Supply Chain Business, resulting in a reduced number of recorded sales orders. Furthermore, the delayed payment of outstanding invoices by several customers prompted the Group to take more stringent actions, such as applying penalty charges and suspending order acceptance from these customers.

In an effort to expand the business potential opportunities and engage with more valuable customers, the Group established another supply chain company with a strategic partner who has strong connections in the enterprises related to traditional non-ferrous metal trading and listed companies in the People’s Republic of China (“**PRC**”). This strategic move is expected to enlarge the customers base of the Supply Chain Business.

#### **Hotel Management & Catering Services**

The Group has made remarkable progress in expanding into the hotel management and catering services sector, which has become a key growth driver and an integral part of our overall operations. During the six months ended on 30 June 2023, the Hotel Management & Catering Services segment demonstrated promising growth, contributing HKD61.4 million in revenue.

To address the challenges posed by the slower-than-expected post-COVID economic recovery, the Group took proactive measures and made necessary arrangements for the management team to refocus the hotel and catering operations towards performance-oriented strategies. Throughout the review period, the Hotel Management & Catering Services segment made significant efforts to strengthen control over the procurement costs to optimize the operational efficiency. Moreover, the Group emphasizes on enhancing product production and service provision to cater to the specific needs of our valued customers and to improve overall customer satisfaction.

The Group remains dedicated to delivering exceptional customer experiences and positioning ourselves for continued success in this dynamic and competitive industry. Our focus on operational efficiency, customer-centricity, and adaptation to market conditions will drive our sustained growth and further strengthen our position in the hotel management and catering services sector.

### **Property Investment**

The Group has the investment properties located in Yunfu, PRC which generated HKD1.3 million in rental income. The Group will continue leasing out these investment properties to generate rental income, and may consider divesting them to improve working capital if and when it is deemed appropriate.

## **FINANCIAL REVIEW**

Below is an analysis of the Group's key financial information including, but not limited to revenue, expenses and loss for the six months ended 30 June 2023, which reflected the financial position of the Group's business.

### **Revenue**

For the six months ended 30 June 2023, the Group recorded a total revenue of HKD79.5 million, representing a decrease of 78.8% as compared with that of the six months ended 30 June 2022 of HKD374.7 million. Such decrease was mainly due to the decline in revenue generated in Supply Chain Business by HKD325.7 million from HKD342.5 million for the six months ended 30 June 2022 to HKD16.8 million for the six months ended 30 June 2023.

Despite such decrease in revenue in Supply Chain Business, the Hotel Management & Catering Services recorded an increase in revenue from HKD28.4 million for the six months ended 30 June 2022 to HKD61.4 million for the six months ended 30 June 2023.

The total revenue from Property Investment and other businesses amounted to approximately HKD1.3 million as compared with that of the six months ended 30 June 2022 of HKD3.7 million.

## **Expenses**

The Group's direct costs and operating expenses significantly decreased by HKD260.1 million from HKD327.6 million for the six months ended 30 June 2022 to HKD67.5 million for the six months ended 30 June 2023 while administrative expenses decreased by HKD16.0 million from HKD36.7 million for the six months ended 30 June 2022 to HKD20.7 million for the six months ended 30 June 2023. The decrease in direct costs and operating expenses; and administrative expenses were mainly due to the decline in the Supply Chain Business, which accounted for over 91% of the Group's total revenue for the corresponding period.

The Group's impairment losses under expected credit loss model increased by HKD51.2 million from reversal of HKD1.8 million for the six months ended 30 June 2022 to provision for HKD49.4 million for the six months ended 30 June 2023. Such increase was mainly caused by the continuing delayed payment of outstanding invoices by several customers in the supply chain business.

The Group's finance cost decreased by HKD4.7 million from HKD17.2 million for the six months ended 30 June 2022 to HKD12.5 million for the six months ended 30 June 2023, mainly due to the repayment of loans.

## **Loss for the period**

For the six months ended 30 June 2023, the Group recorded a net loss of approximately HKD74.2 million as compared to a net profit of approximately HKD31.3 million for the six months ended 30 June 2022. Such loss were mainly due to the significant increase in expected credit losses on trade receivables in the supply chain business and the significant decrease in dividend income from equity investments of which HKD35.8 million was recorded in the corresponding period.

## **Trade and other receivables**

The trade and other receivables mainly represents the trade receivables (net of ECL allowances) from the Supply Chain Business of HKD442.1 million (31 December 2022: HKD624.2 million) and other receivables from supply chain financing arrangements of HKD100.5 million (31 December 2022: HKD94.9 million). As at 30 June 2023, trade receivables (net of ECL allowances) past due within 12 months and over 12 months are HKD140.6 million (31 December 2022: HKD48.6 million) and HKD17.6 million (31 December 2022: HKD17.4 million) respectively.

The decrease in trade and other receivables of HKD176.1 million was primarily due to the decrease in the trade receivables (net of ECL allowances) from the Supply Chain Business amounting to HKD182.1 million, which in line with the slowdown of the Supply Chain Business during the six months ended 30 June 2023.

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 2023, the Group's trade and bills payable significantly decreased by HKD76.3 million from HKD152.4 million as at 31 December 2022 to HKD76.1 million. Such decrease was in line with the slowdown of the Supply Chain Business during the six months ended 30 June 2023.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2023 the cash and cash equivalents of the Group were HKD38.9 million (31 December 2022: HKD37.7 million) and interest-bearing borrowings, including the borrowings and lease liabilities were HKD395.8 million (31 December 2022: HKD470.9 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 30 June 2023 denominated in original currencies:

	At 30 June 2023	
	<i>HKD</i> (‘000)	<i>RMB</i> (‘000)
Cash and cash equivalents	5,950	30,596
Borrowings	–	348,118
Lease liabilities	–	18,877
	<u>5,950</u>	<u>348,118</u>

	At 31 December 2022	
	<i>HKD</i> (‘000)	<i>RMB</i> (‘000)
Cash and cash equivalents	5,465	28,560
Borrowings	–	397,527
Lease liabilities	–	19,925
	<u>5,465</u>	<u>397,527</u>

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 30 June 2023, 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 83.0% (31 December 2022: 82.8%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.25 (31 December 2022: 1.29). Both ratios are stable in comparison to that as at 31 December 2022.

## **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 2023, certain investment properties of the Group with an aggregate carrying amount of approximately HKD236.7 million (31 December 2022: approximately HKD243.7 million) were pledged to banks for loans granted to the Group.

As at 31 December 2022, pledged bank deposit carry fixed interest rate of 1.75% and represent deposits pledged to bank as guarantee deposits for certain bills payable made available to the Group. The pledges were released during the interim period upon the full settlement of the bills payables.

## **FINANCIAL GUARANTEES PROVIDED**

As at 30 June 2023, the Company had provided corporate guarantees amounting to HKD300.9 million (31 December 2022: HKD314.7 million) in favour of certain banks in connection with facilities granted to certain subsidiaries of the Group.

## **CAPITAL EXPENDITURES AND COMMITMENTS**

During the six months ended 30 June 2023, there was no significant acquisition or disposal of property, plant and equipment.

During the six months ended 30 June 2022, the Group invested HKD729,000 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 as a result of acquisition of subsidiaries. As at 30 June 2023 and 31 December 2022, the Group had no capital commitments.

### **SIGNIFICANT INVESTMENTS HELD**

There were no significant investments held by the Group for the six months ended 30 June 2023.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the six months ended 30 June 2023.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had a total of approximately 310 employees (30 June 2022: approximately 400 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 different positions.

### **INTERIM DIVIDEND**

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (30 June 2022: 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 2023, the economic landscape is poised to present both challenges and opportunities. Acknowledging recent hurdles encountered by the Supply Chain Business, the Group is earnestly addressing these concerns. The management is actively working towards resolving these issues and striving to attain positive outcomes. Despite facing adversity in the business performance of this segment, the management will put effort into enhancing overall performance and rejuvenate the Supply Chain Business.

The Group's strategic focus will extend to the continuous advancement of the hotel management and catering services business. Due to the easing of pandemic-related restrictions, there has been an increase in demand for these services and the Group aims to strengthen its business and enhance its standing in the market. The Group will continue to achieve these objectives such as operational efficiency improvements, the expansion of customer base, and the elevation of the Group's visibility in the hotel management and catering services. These combined efforts play a crucial role and would ultimately enhance overall profitability.

Except for the aforementioned sectors, Property Investment and the other businesses of the Company which including Leasing Business, Money Lending Business, and Securities Investment, will persist in operating at their current scale, adhering to the regulations governing their operations. As moving forward, the Group will remain focused on ensuring business continuity and prudently safeguarding the Group's resources.

## **OTHER INFORMATION**

### **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 2023.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2023, 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 other business arrangement. Mr. Liao will endeavour to attend all future general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Liao had entrusted Ms. Qian Pu, being executive Director, to respond to shareholders' concerns (if any) on his behalf at the AGM.

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Model Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. 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 2023.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed 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 HKICPA.

**PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The Company's interim report containing all information required by the Listing Rules will be despatched to the shareholders of the Company and published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.paktakintl.com](http://www.paktakintl.com) in due course.

On behalf of the Board  
**Pak Tak International Limited**  
**Liao Nangang**  
*Chairman*

Hong Kong, 30 August 2023

*As at the date of this announcement, the Board comprises Mr. Liao Nangang, Ms. Qian Pu, Mr. Wang Jian and Mr. Ning Jie as executive Directors; Mr. Liu Xiaowei as non-executive Director; and Ms. Chan Ching Yi, Mr. Chan Kin Sang and Mr. Zheng Suijun as independent non-executive Directors.*