



百德國際有限公司
Pak Tak International Limited

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

2023

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 Director

Mr. Liu Xiaowei

Independent Non-executive Directors

Ms. Chan Ching Yi
Mr. Chan Kin Sang
Mr. Zheng Sujun

AUDIT COMMITTEE

Ms. Chan Ching Yi (*Chairman*)
Mr. Chan Kin Sang
Mr. Zheng Sujun

NOMINATION COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Chan Ching Yi
Mr. Chan Kin Sang
Mr. Zheng Sujun
Ms. Qian Pu

REMUNERATION COMMITTEE

Mr. Chan Kin Sang (*Chairman*)
Ms. Chan Ching Yi
Mr. Zheng Sujun
Ms. Qian Pu

STRATEGIC COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Liao Nangang (*Chairman*)
Ms. Qian Pu

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

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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
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HONG KONG LEGAL ADVISER

Messrs. Eddie Lee & Co
3/F, Central 88
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Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Level 8, K11 ATELIER King's Road
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Quarry Bay
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 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	
	HKD ('000)	RMB ('000)
Cash and cash equivalents	5,950	30,596
Borrowings	—	348,118
Lease liabilities	—	18,877
	<hr/>	<hr/>
	At 31 December 2022	
	HKD ('000)	RMB ('000)
Cash and cash equivalents	5,465	28,560
Borrowings	—	397,527
Lease liabilities	—	19,925
	<hr/>	<hr/>

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

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

As at 30 June 2023, 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>	980,000,000	Interests of controlled corporation	25.13%
Mr. Wang Jian (" Mr. Wang ") <i>(Note 4)</i>	596,253,000	Interest of controlled corporation	15.29%

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 2023, which was 3,900,000,000.
3. These 980,000,000 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 596,253,000 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 2023, 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 2023, 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>	980,000,000	Beneficial owner	25.13%
Beyond Glory <i>(Note 3)</i>	980,000,000	Interest of controlled corporation	25.13%
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>	596,253,000	Beneficial owner	15.29%
Glory Sun Financial Group Limited ("GSFG") <i>(Note 6)</i>	571,079,950	Interest of controlled corporation	14.64%
Glory Sun Financial Holdings Limited ("GSFH") <i>(Note 6)</i>	571,079,950	Interest of controlled corporation	14.64%
Great Sphere Developments Limited ("GSDL") <i>(Note 6)</i>	571,079,950	Interest of controlled corporation	14.64%
Golden Affluent Limited ("GAL") <i>(Note 6)</i>	474,202,000	Interest of controlled corporation	12.16%
Proficient Power Limited <i>(Note 6)</i>	474,202,000	Interest of controlled corporation	12.16%
Glory Sun Securities Limited ("GSSL") <i>(Note 6)</i>	474,202,000	Beneficial owner	12.16%
Mr. Huang Shilong	275,500,000	Beneficial owner	7.06%

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 2023, which was 3,900,000,000.
3. These 980,000,000 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 596,253,000 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. Glory Sun Credit Limited (“**GSCL**”) is interested in 96,877,950 Shares by way of a security interest in those Shares. GSCL is wholly-owned by Stellar Result Limited, which is in turn wholly-owned by GSFG through GSDL and GSFH. GSCL is directly interested in 474,202,000 Shares and is indirectly owned by GSFG through GSFH, GSDL, GAL, among others. Accordingly, GSFG is deemed to be interested in all 571,079,950 Shares in which GSCL and GSCL are directly interested by virtue of SFO.

Save as disclosed above, as at 30 June 2023, 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 2023.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Director(s) of the Company since the date of the 2022 annual report of the Company and up to the date of this report are set out below:

Name of Directors	Details of Changes
Mr. Chan Kin Sang	was no longer a senior partner of K. S. Chan & Co Solicitors and is now partner of Kwan & Chow Solicitors on 1 April 2023.
Ms. Chan Ching Yi	resigned as a company secretary of ShiFang Holding Limited (stock code: 1831) on 22 July 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.

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 2023.

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 2023 (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 2023 and up to the date of this report.

By Order of the Board
Pak Tak International Limited

Liao Nangang
Chairman

Hong Kong, 30 August 2023

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 15 to 36, which comprises the condensed consolidated statement of financial position as at 30 June 2023 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 2023 is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong,

Leung Yun Wa

Practising certificate number P08096

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)
Revenue	4	79,501	374,684
Other revenue	5	1,174	37,174
Other net gain	5	584	863
Fair value (loss)/gain on investment properties	13	(3,230)	682
Impairment losses under expected credit loss model, net of reversal	15	(49,360)	1,834
Direct costs and operating expenses		(67,452)	(327,576)
Administrative expenses		(20,731)	(36,693)
(Loss)/profit from operations	6	(59,514)	50,968
Finance costs	7	(12,512)	(17,206)
(Loss)/profit before taxation		(72,026)	33,762
Income tax expense	8	(2,145)	(2,496)
(Loss)/profit for the period		(74,171)	31,266
Attributable to:			
— Equity shareholders of the Company		(74,104)	31,266
— Non-controlling interest		(67)	—
(Loss)/profit for the period		(74,171)	31,266
(Loss)/earnings per share	9	(1.90)	0.80
— Basic and diluted (in HK cents)			

The notes on pages 21 to 36 form part of this interim financial information.

PAK TAK INTERNATIONAL LIMITED 15

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
(Loss)/profit for the period	(74,171)	31,266
Other comprehensive loss 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	(16,461)	(24,595)
<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	(1,704)	(17,310)
Total comprehensive loss for the period	(92,336)	(10,639)
Attributable to:		
— Equity shareholders of the Company	(92,272)	(10,639)
— Non-controlling interest	(64)	—
Total comprehensive loss for the period	(92,336)	(10,639)

The notes on pages 21 to 36 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	At 30 June 2023 HKD'000 (unaudited)	At 31 December 2022 HKD'000 (audited)
Non-current assets			
Property, plant and equipment	11	82,810	87,932
Right-of-use assets	12	15,331	17,440
Investment properties	13	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
Current assets			
Inventories		1,627	1,892
Trade and other receivables	14	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
Current liabilities			
Trade and bills payables	16	76,117	152,386
Other payables and accrued charges		75,369	82,937
Contract liabilities		19,275	14,847
Borrowings	17	342,556	415,474
Lease liabilities		5,381	2,603
Tax payable		479	657
		519,177	668,904
Net current assets		131,361	196,782
Total assets less current liabilities		564,275	658,903

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2023

		At 30 June 2023 <i>HKD'000</i> (unaudited)	At 31 December 2022 <i>HKD'000</i> (audited)
	<i>Note</i>		
Non-current liabilities			
Borrowings	17	32,854	32,976
Lease liabilities		14,976	19,874
Deferred tax liabilities		36,298	37,130
		<hr/> 84,128 <hr/>	<hr/> 89,980 <hr/>
NET ASSETS		<hr/> 480,147 <hr/>	<hr/> 568,923 <hr/>
CAPITAL AND RESERVES			
Share capital		78,000	78,000
Reserves		398,651	490,923
		<hr/> 476,651 <hr/>	<hr/> 568,923 <hr/>
Total equity attributable to equity shareholders of the Company		<hr/> 476,651 <hr/>	<hr/> 568,923 <hr/>
Non-controlling interest		<hr/> 3,496 <hr/>	<hr/> — <hr/>
TOTAL EQUITY		<hr/> 480,147 <hr/>	<hr/> 568,923 <hr/>

Approved and authorised for issue by the board of directors on 30 August 2023.

Liao Nangang
Director

Qian Pu
Director

The notes on pages 21 to 36 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to equity shareholders of the Company						Non-controlling interest 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 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 loss of financial assets at fair value through other comprehensive income, net of nil tax	—	—	(17,310)	—	—	(17,310)	—	(17,310)
Total comprehensive loss 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	—	—	60,682	—	(60,682)	—	—	—
At 30 June 2022 (unaudited)	78,000	540,359	(70,771)	7,541	80,646	635,775	2	635,777
At 1 January 2023 (audited)	78,000	540,359	(72,894)	(11,663)	35,121	568,923	—	568,923
Changes in equity for the six months ended 30 June 2023:								
Loss for the period	—	—	—	—	(74,104)	(74,104)	(67)	(74,171)
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	—	—	—	(16,464)	—	(16,464)	3	(16,461)
Fair value loss of financial assets at fair value through other comprehensive income, net of nil tax	—	—	(1,704)	—	—	(1,704)	—	(1,704)
Total comprehensive loss for the period	—	—	(1,704)	(16,464)	(74,104)	(92,272)	(64)	(92,336)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	3,560	3,560
At 30 June 2023 (unaudited)	78,000	540,359	(74,598)	(28,127)	(38,983)	476,651	3,496	480,147

The notes on pages 21 to 36 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	26,795	(89,311)
Investing activities		
Purchase of property, plant and equipment	(55)	(729)
Purchase of intangible assets	—	(826)
Purchase of financial assets at fair value through profit or loss	(40,235)	(912)
Proceeds from disposal of financial assets at fair value through profit or loss	40,076	83,320
Proceeds from disposal of financial assets at fair value through other comprehensive income	—	91,000
Acquisition of subsidiaries, net of cash acquired	—	(85,466)
Withdrawal of pledged bank deposits	39,026	42,845
Dividend received from equity investments	—	35,060
Net cash generated from investing activities	38,812	164,292
Financing activities		
Capital element of lease rental paid	(1,277)	(785)
Interest element of lease rental paid	(415)	(112)
Proceeds from new loans	1,131	—
Repayment of loans	(57,024)	(9,162)
Interest paid	(8,518)	(16,462)
Capital contribution from a non-controlling shareholder	3,560	—
Net cash used in financing activities	(62,543)	(26,521)
Net increase in cash and cash equivalents	3,064	48,460
Cash and cash equivalents at the beginning of the period	37,684	15,442
Effect of foreign exchange rate changes	(1,803)	(1,940)
Cash and cash equivalents at the end of the period	38,945	61,962

The notes on pages 21 to 36 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, property 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 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 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

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.

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 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 periods. 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue

	Six months ended 30 June	
	2023	2022
	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	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
	74,682	367,454
Revenue from other sources		
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
	4,819	7,230
	79,501	374,684

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 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 2023 (unaudited)	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Others HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition					
Point in time	15,297	—	53,424	—	68,721
Over time	1,515	1,329	7,936	—	10,780
Revenue from external customers	16,812	1,329	61,360	—	79,501
Segment result	(53,419)	(4,508)	4,047	(2,411)	(56,291)
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)
Six months ended 30 June 2022 (unaudited)					
	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Others HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition					
Point in time	339,376	—	24,165	—	363,541
Over time	3,140	2,837	4,270	896	11,143
Revenue from external customers	342,516	2,837	28,435	896	374,684
Segment result	23,613	2,989	(8,781)	(3,255)	14,566
Reconciliation:					
Interest income					1,038
Other revenue					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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(c) Information about assets and liabilities

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

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

5. OTHER REVENUE AND OTHER NET GAIN

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

6. (LOSS)/PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(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	221	121
	4,264	5,463

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

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%).

9. (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)
(Loss)/earnings		
(Loss)/profit attributable to equity shareholders of the Company	(74,104)	31,266
Number of shares	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue	3,900,000	3,900,000

Basic (loss)/earnings per share are the same as the diluted (loss)/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 2023 (2022: nil).

11. 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.

12. 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.

13. 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 as 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HKD'000 (unaudited)	At 31 December 2022 HKD'000 (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
	<u>553,232</u>	<u>728,950</u>
Deposits and prepayments	29,766	30,157
	<u>582,998</u>	<u>759,107</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 2023 HKD'000 (unaudited)	At 31 December 2022 HKD'000 (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 30 June 2023 HKD'000 (unaudited)	At 31 December 2022 HKD'000 (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>

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

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

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

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.

16. TRADE AND BILLS PAYABLES

	At	At
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(audited)
Trade payables	76,117	74,548
Bills payables	—	77,838
	76,117	152,386

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

	At	At
	30 June	31 December
	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(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
	76,117	152,386

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

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

17. BORROWINGS

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

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

	At 30 June 2023 HKD'000 (unaudited)	At 31 December 2022 HKD'000 (audited)
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
	375,410	448,450
Less: Amount due within one year or repayable on demand classified as current liabilities	(342,556)	(415,474)
Amount due for settlement after one year	32,854	32,976

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

17. **BORROWINGS** *(Continued)*

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.

18. **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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

19. 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	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	1,913	2,173
Contributions to defined contribution retirement plan	74	82
	<u>1,987</u>	<u>2,255</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

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

20. 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 required for financial reporting purposes and independent external valuers are 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

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

	Fair value at 30 June 2023 HKD'000	Fair value measurements as at 30 June 2023 (unaudited) categorised into		Fair value at 31 December 2022 HKD'000	Fair value measurements as at 31 December 2022 (audited) categorised into	
		Level 1 HKD'000	Level 2 HKD'000		Level 1 HKD'000	Level 2 HKD'000
Recurring fair value measurements						
Financial assets measured at FVOCI						
— Listed equity securities	2,768	2,768		4,472		4,472
Financial assets measured at FVPL						
— Listed equity securities	632	632		434		434

During the six months ended 30 June 2023 and 2022, 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.

(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 2023 and 31 December 2022.

21. 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

21. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

In considering the impairment loss that may be required for certain property, plant and equipment and right-of-use assets, recoverable amount of the asset needs to be determined. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. 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 turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover 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.

(d) Valuation of investment properties

Investment properties are stated at fair value based on the valuations performed by independent qualified 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 report, the directors of the Company have exercised their judgements 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.



NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

21. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Provision of ECLs for trade and other receivables and finance lease receivables

Trade receivables and finance lease receivables are assessed for ECL individually and/or collectively. Where ECL is measured on a collective basis, the Group estimates ECL through groupings of various debtors that have similar loss patterns, after considering the historical loss rates experience, ageing of overdue debtors, customers' repayment history, customer's financial position and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

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 judgements and assumptions.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. 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 recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for 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 asset 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.

22. CONTINGENT LIABILITIES

As at 30 June 2023, the Group has no significant contingent liabilities (31 December 2022: nil).

23. CAPITAL COMMITMENT

As at 30 June 2023, the Group has no significant capital commitment (31 December 2022: nil).

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and re-presented to conform to the current period's presentation.