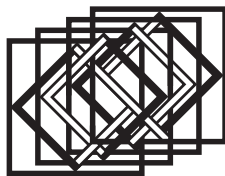


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PAK TAK INTERNATIONAL LIMITED

(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 2024

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 2024 (the “**Interim Results**”) as follows:

** for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 HKD'000 (unaudited)	2023 HKD'000 (unaudited)
Revenue	3	378,542	79,501
Other revenue	4	315	1,174
Other net (loss)/gain	4	(5,130)	584
Fair value loss on investment properties	12	(11,364)	(3,230)
Reversal of/(provision for) impairment losses under expected credit loss model, net	15	3,163	(49,360)
Direct costs and operating expenses		(361,464)	(67,452)
Administrative expenses		(23,980)	(20,731)
		<hr/>	<hr/>
Loss from operations	5	(19,918)	(59,514)
Finance costs	6	(16,758)	(12,512)
		<hr/>	<hr/>
Loss before taxation		(36,676)	(72,026)
Income tax expense	7	(132)	(2,145)
		<hr/>	<hr/>
Loss for the period		(36,808)	(74,171)
		<hr/>	<hr/>
Attributable to:			
— Equity shareholders of the Company		(36,808)	(74,104)
— Non-controlling interest		—	(67)
		<hr/>	<hr/>
Loss for the period		(36,808)	(74,171)
		<hr/>	<hr/>
Loss per share	8		
— Basic and diluted (in HK cents)		(0.79)	(1.90)
		<hr/>	<hr/>

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

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Loss for the period	(36,808)	(74,171)
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	(10,911)	(16,461)
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value gain/(loss) of financial assets at fair value through other comprehensive income, net of nil tax	71	(1,704)
Total comprehensive loss for the period	(47,648)	(92,336)
Attributable to:		
— Equity shareholders of the Company	(47,648)	(92,272)
— Non-controlling interest	—	(64)
Total comprehensive loss for the period	(47,648)	(92,336)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		At 30 June 2024 <i>HKD'000</i> (unaudited)	At 31 December 2023 <i>HKD'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	7,987	15,711
Right-of-use assets	11	21,601	20,381
Investment properties	12	261,499	279,418
Intangible assets		757	889
Deferred tax assets		8,050	8,080
Financial assets at fair value through other comprehensive income		1,549	1,478
		<u>301,443</u>	<u>325,957</u>
Current assets			
Inventories		1,336	1,769
Trade and other receivables	13	552,884	535,095
Finance lease receivables	14	–	–
Financial assets at fair value through profit or loss		123	57
Cash and cash equivalents		17,146	85,362
		<u>571,489</u>	<u>622,283</u>
Current liabilities			
Trade payables	16	57,656	70,856
Other payables and accrued charges		71,753	76,442
Contract liabilities		12,366	11,422
Borrowings	17	330,039	337,901
Lease liabilities		2,891	2,023
Tax payable		3	26
		<u>474,708</u>	<u>498,670</u>
Net current assets		<u>96,781</u>	<u>123,613</u>
Total assets less current liabilities		<u>398,224</u>	<u>449,570</u>

		At 30 June 2024 <i>HKD'000</i> (unaudited)	At 31 December 2023 <i>HKD'000</i> (audited)
	<i>Note</i>		
Non-current liabilities			
Borrowings	17	25,236	29,407
Lease liabilities		13,372	12,241
Deferred tax liabilities		40,010	40,668
		<hr/> 78,618 <hr/>	<hr/> 82,316 <hr/>
NET ASSETS		<hr/> 319,606 <hr/>	<hr/> 367,254 <hr/>
CAPITAL AND RESERVES			
Share capital		93,600	93,600
Reserves		226,006	273,654
		<hr/> 319,606 <hr/>	<hr/> 367,254 <hr/>
TOTAL EQUITY		<hr/> 319,606 <hr/>	<hr/> 367,254 <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 2023 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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 are unaudited but has been reviewed by the Audit Committee of the Company.

Going concern assumption

During the interim period, the Group recorded a net loss of approximately HKD36,808,000 and one of the interest-bearing bank borrowings with principal amount of approximately RMB279,000,000 (equivalent to approximately HKD298,530,000) and related aggregate interest amount of approximately RMB28,300,000 (equivalent to approximately HKD30,281,000) remained defaulted as at 30 June 2024 and was repayable on demand. The bank has commenced litigation against the Group to recover the principal amount and related interest amount of the borrowing amounted to approximately RMB294,300,000 (equivalent to approximately HKD314,901,000). This bank borrowing exceed the Group’s cash and cash equivalents of approximately HKD17,146,000 as at 30 June 2024.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The plans and measures are formulated to mitigate the liquidity pressure, to improve the position of the Group, and to remediate the overdue repayments to the lenders, including but not limited to the followings:

- (i) The Group has been actively negotiating with the relevant bank for revising the repayment terms by instalment up to over the years and not demanding immediate repayment of existing bank borrowings due to the breach of loan covenants;
- (ii) The Group has developed a plan to obtain additional fundings from the substantial shareholders of the Company by way of shareholders' loan. Such funding will be used to finance the repayment of principal and interest of the defaulted bank borrowings; and
- (iii) The Group has been actively implemented measures to speed up the collection of substantial payments from customers.

The directors of the Company have prepared the Group's cash flow projections which cover a period of not less than twelve months from 30 June 2024. The directors of the Company are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issuance of the condensed consolidated financial statements, material uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as mentioned above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the following:

- (i) Successful negotiation with the relevant bank for revising the repayment terms by instalment up to over the years and not demanding immediate repayment of existing bank borrowing due to the breach of loan covenants;
- (ii) Successfully obtaining additional funds from the substantial shareholders by way of shareholders' loan; and
- (iii) Successfully collecting substantial payments from customers.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, or to recognise a liability for any contractual commitments that might have become onerous, where appropriate. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

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 HKFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretations 5 (2020)
- Amendments to HKAS 1, Non-current liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

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.

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	
	2024	2023
	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	326,800	14,937
— Sales of food and beverage products from hotel management and catering services	42,963	53,424
— Management fee income from hotel management services	3,074	5,961
— Handling fee income from supply chain financing arrangements	219	360
	<hr/> 373,056 <hr/>	<hr/> 74,682 <hr/>
Revenue from other sources		
Interest income from supply chain financing arrangements	968	1,515
Gross rentals from investment properties		
— Lease payments that are fixed	3,345	3,304
— Rental income from sublease	1,173	–
	<hr/> 5,486 <hr/>	<hr/> 4,819 <hr/>
	<hr/> 378,542 <hr/>	<hr/> 79,501 <hr/>

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 2024 (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>
Disaggregated by timing of revenue recognition					
Point in time	327,019	–	42,963	–	369,982
Over time	968	1,336	6,256	–	8,560
Revenue from external customers	327,987	1,336	49,219	–	378,542
Segment result	473	(3,191)	(10,491)	(738)	(13,947)
Reconciliation:					
Interest income					154
Corporate and other unallocated income					161
Corporate and other unallocated expenses					(6,286)
Finance costs					(16,758)
Loss before taxation					(36,676)
Income tax expense					(132)
Loss for the period					(36,808)

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>
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	<u>16,812</u>	<u>1,329</u>	<u>61,360</u>	<u>–</u>	<u>79,501</u>
Segment result	<u>(53,419)</u>	<u>(4,508)</u>	<u>4,047</u>	<u>(2,411)</u>	(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					<u>(74,171)</u>

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

At 30 June 2024 (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>
Segment assets	501,015	166,138	184,080	7,544	858,777
Reconciliation:					
Deferred tax assets					8,050
Corporate and other unallocated assets					6,105
Total assets					872,932
Segment liabilities	421,237	23,544	56,285	10,468	511,534
Reconciliation:					
Deferred tax liabilities					40,010
Corporate and other unallocated liabilities					1,782
Total liabilities					553,326
At 31 December 2023 (audited)	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>
Segment assets	493,033	177,217	170,631	1,783	842,664
Reconciliation:					
Deferred tax assets					8,080
Corporate and other unallocated assets					97,496
Total assets					948,240
Segment liabilities	423,850	28,047	79,541	7,810	539,248
Reconciliation:					
Deferred tax liabilities					40,668
Corporate and other unallocated liabilities					1,070
Total liabilities					580,986

4. OTHER REVENUE AND OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2024 <i>HKD'000</i> (unaudited)	2023 <i>HKD'000</i> (unaudited)
Other revenue		
Interest income	154	1,174
Sundry income	161	–
	<u>315</u>	<u>1,174</u>
Other net (loss)/gain		
Fair value (loss)/gain of financial assets at fair value through profit or loss	(96)	584
Loss on write-off of property, plant and equipment	(5,034)	–
	<u>(5,130)</u>	<u>584</u>

5. LOSS FROM OPERATIONS

	Six months ended 30 June	
	2024 <i>HKD'000</i> (unaudited)	2023 <i>HKD'000</i> (unaudited)
Loss from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	5,233	4,264
Depreciation on right-of-use assets	2,130	1,407
Amortisation of intangible assets	154	221
	<u>7,517</u>	<u>5,892</u>

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Current tax — the PRC Enterprise Income Tax (“EIT”)		
— Current income Tax	—	503
— Over-provision in respect of prior years	(2)	(678)
	<u>(2)</u>	<u>(175)</u>
Deferred tax — the PRC	134	2,320
	<u>134</u>	<u>2,320</u>
Income tax expense	<u>132</u>	<u>2,145</u>

Hong Kong Profits Tax is calculated at 16.5% (2023: 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% (2023: 25%).

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss 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	
	2024	2023
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Loss		
Loss attributable to equity shareholders of the Company	<u>(36,808)</u>	<u>(74,104)</u>
	Six months ended 30 June	
	2024	2023
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue	<u>4,680,000</u>	<u>3,900,000</u>

Basic loss per share are the same as the diluted loss 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 2024 (2023: nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a cost of approximately HKD2,650,000 and property, plant and equipment at a net book value of approximately HKD5,000,000 was written-off, resulting in a loss on write-off of approximately HKD5,000,000.

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

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, there was addition of right-of-use assets of approximately HKD3,820,000 regarding a lease of office in Hong Kong.

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

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

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 medium-term leases.

The valuations of investment properties carried at fair value were updated as at 30 June 2024 by the Group's independent valuers using the same valuation techniques as were used by these valuers when carrying out the December 2023 valuations.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2024 <i>HKD'000</i> (unaudited)	At 31 December 2023 <i>HKD'000</i> (audited)
Trade receivables, net of expected credit loss allowance	442,930	413,035
Other receivables, net of expected credit loss allowance	68,463	78,476
	<hr/>	<hr/>
	511,393	491,511
Deposits and prepayments	41,491	43,584
	<hr/>	<hr/>
	552,884	535,095
	<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 30 June 2024 HKD'000 (unaudited)	At 31 December 2023 HKD'000 (audited)
Within 1 month	74,796	4,110
1 to 3 months	142,901	5,411
3 to 12 months	131,437	8,192
Over 12 months	93,796	395,322
	<u>442,930</u>	<u>413,035</u>

Trade receivables are generally due within 30 to 365 days (31 December 2023: 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 2024 HKD'000 (unaudited)	At 31 December 2023 HKD'000 (audited)
Current (not past due)	334,384	3,937
Less than 1 month past due	1,192	3,000
1 to 3 months past due	2,750	5,438
3 to 12 months past due	13,319	380,252
Over 12 months past due	91,285	20,408
	<u>442,930</u>	<u>413,035</u>

14. FINANCE LEASE RECEIVABLES

	At 30 June 2024 <i>HKD'000</i> (unaudited)	At 31 December 2023 <i>HKD'000</i> (audited)
Finance lease receivables	30,888	30,888
Less: Expected credit loss allowance	(30,888)	(30,888)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	-	-

As at 30 June 2024 and 31 December 2023, the finance lease receivables are receivable within one year or on demand.

Certain machineries are leased out to one lessee under finance initial leases with lease terms of 24 to 48 months. Prior to the revision of lease contract, the interest rate inherent in the leases was fixed for the entire lease term and was ranging from 6.2% to 12% per annum. Finance lease receivables are secured over the machineries leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

In the prior years, the Group entered into a finance lease receivable transfer arrangement (the “**Arrangement**”) with the lessee. Under the Arrangement, the amount due from the lessee (representing all past due and future lease payments) of RMB25,122,000 (equivalent to HKD28,341,000) was transferred to an independent third party which the new repayment terms were revised as repayable on demand on a full recourse basis and the balance bears interest at the PRC Loan Prime Rate plus certain agreed premium rates until settlement. As the lessee has not transferred the significant obligations relating to these finance lease receivables, the full carrying amount of the receivables continues to be recognised as “finance lease receivables” in the Group’s condensed consolidated statement of financial position.

As at 30 June 2024 and 31 December 2023, the original carrying value of the finance lease receivables and interest in full under the Arrangement have not been settled. Based on the management’s best estimate, the entire balance of finance lease receivables is fully impaired due to the occurrence of unfavourable event.

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

	Six months ended 30 June	
	2024	2023
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Impairment loss (reversed)/recognised in respect of		
— trade receivables	(3,196)	47,627
— other receivables	33	(276)
— finance lease receivables	—	2,009
	(3,163)	49,360

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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

16. TRADE PAYABLES

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

	At	At
	30 June	31 December
	2024	2023
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(audited)
Within 1 month	2,162	18,363
1 to 3 months	2,298	7,284
3 to 12 months	20,936	10,662
Over 12 months	32,260	34,547
	57,656	70,856

17. BORROWINGS

	At 30 June 2024 <i>HKD'000</i> (unaudited)	At 31 December 2023 <i>HKD'000</i> (audited)
Bank loans, secured (<i>note</i>)	331,128	367,308
Other loan, secured (<i>note</i>)	24,147	–
	<u>355,275</u>	<u>367,308</u>

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

	At 30 June 2024 <i>HKD'000</i> (unaudited)	At 31 December 2023 <i>HKD'000</i> (audited)
Within 1 year	330,039	337,901
After 1 year but within 2 years	16,896	17,082
After 2 years but within 5 years	8,340	12,325
	<u>355,275</u>	<u>367,308</u>
Less: Amount due within one year or repayable on demand classified as current liabilities	<u>(330,039)</u>	<u>(337,901)</u>
Amount due for settlement after one year	<u>25,236</u>	<u>29,407</u>

Note:

Bank loans comprise Bank Loan 1, Bank Loan 2, Bank Loan 3 and Bank Loan 4.

Bank Loan 1 with principal amount of RMB20,965,000 (equivalent to HKD22,433,000) (31 December 2023: RMB24,007,000 (equivalent to HKD26,316,000)) 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 HKD298,530,000) (31 December 2023: RMB279,000,000 (equivalent to HKD305,840,000)) is secured by corporate guarantee executed by the Company and its certain subsidiaries and certain properties owned by an independent third party. As at 30 June 2024 and 31 December 2023, the loan was defaulted and became immediately repayable on demand. Interest is charged at a fixed rate of 5.4% per annum.

Bank Loan 3 with principal amount of RMB22,567,000 (equivalent to HKD24,738,000) as at 31 December 2023 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. During the interim period, pursuant to debt assignment agreement between the relevant bank (as an original lender) and assignee (the “Assignee”), the Bank Loan 3 was agreed to be assigned to the Assignee, an independent third party. The Bank Loan 3 would be accordingly regarded as other loan, which the terms of the loan remain unchanged except for the repayment term which is revised to be repayable on demand.

Bank Loan 4 with principal amount of RMB9,500,000 (equivalent to HKD10,165,000) (31 December 2023: RMB9,500,000 (equivalent to HKD10,414,000)) 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.

The Group has been actively negotiating with lender of Bank Loan 2 for renewal and extension for repayments of the overdue borrowing.

18. 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	
	2024	2023
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,108	1,913
Contributions to defined contribution retirement plan	83	74
	2,191	1,987

(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 2024 and 31 December 2023, the Group had no significant balances dealt with its related parties.

19. LITIGATION AND CLAIM

During the year ended 31 December 2023, one of the subsidiaries of the Group, Shenzhen Golden Flourish Supply Chain Limited defaulted on repayment of interest-bearing bank borrowing from Shenzhen Branch of Hua Xia Bank Co., Ltd (“**Hua Xia Bank**”) with aggregate principal amount and related aggregate interest amount of approximately RMB294,300,000 (equivalent to approximately HKD322,612,000). Afterwards, the Company and its certain subsidiaries (the “**Defendants**”) received a legal claim filed by Hua Xia Bank in respect of breach of loan agreements. The Defendants therefore received a court notice from the Shenzhen Intermediate People’s Court that Hua Xia Bank requesting the Shenzhen Golden Flourish Supply Chain Limited to:

- (1) repay the total amount of principal, interests and compound interests of approximately RMB294,300,000 (equivalent to approximately HKD322,612,000) immediately;
- (2) bear the legal costs incurred by Hua Xia Bank; and
- (3) bear the other litigation costs in relation to the abovementioned litigation.

The relevant bank borrowings were classified as current liabilities as at 30 June 2024 and 31 December 2023. As at the approval date of these consolidated financial statements, the litigation is still at a preliminary stage and has not gone into substantive pleading stage, and having considered the alleged claims, the directors of the Company are of the views that (i) it is premature to assess the possible outcome of further claim which is pending, either individually or on a combined basis and (ii) it is uncertain as to whether there will be further impact, and if so, the quantum, on the financial position of the Group. The directors of the Company will monitor the litigation against the Group closely and the Company will continue to keep the shareholders of the Company and potential investors informed of any further material development.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2024, 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 30 June 2024, the Supply Chain Business generated HKD328.0 million in revenue, marking a significant increase of HKD311.2 million compared to the same period in 2023. This growth can be attributed to recovering market conditions and a resurgence in consumption within the PRC. Our customers in the supply chain sector have gradually recovered, contributing notably to the improved performance. Additionally, the Group’s continued efforts to strengthen credit control measures have been successful, with significant amounts in outstanding receivables recovered during the current period. The Group remains committed to regularly reviewing the recoverable amounts of trade receivables, closely monitoring collection efforts, and making adequate impairment provisions when necessary to mitigate financial risks.

The Group aims to further enhance the performance of the Supply Chain Business. To achieve this, the Group will focus on the domestic market while actively seeking new potential customers to diversify its revenue streams and strengthen its market position.

Hotel Management & Catering Services

During the six months ended 30 June 2024, the Hotel Management & Catering Services segment generated HKD49.2 million in revenue, reflecting a decrease of 19.8% compared to the same period in 2023. The decline follows a strong recovery in the first half of 2023, after which market conditions returned to normal during the current period. The segment loss in Hotel Management & Catering Services was primarily due to a fair value loss on the investment property and the written-off of the property, plant and equipment.

In response to the rapidly changing market dynamics, the Group has implemented timely adjustments through a cautious and adaptive strategy. Despite the decrease in revenue and aforementioned losses, the Group’s performance has remained stable during the current period. This stability is a result of ongoing efforts to optimize internal operational management and strengthen brand promotion, all aimed at enhancing the long-term value of our brand.

The Group remains confident in its future prospects and is committed to steady growth, underpinned by a cautious approach. To stay competitive in the evolving hotel and catering services market, we will continue to prioritize the improvement of our product and service quality. By focusing on enhancing the overall satisfaction of our valued customers, we aim to solidify our position in the market and drive sustainable growth.

Property Investment

The Group has the investment properties located in Yunfu, PRC which generated HKD1.3 million in rental income. As at 30 June 2024, the fair value of the investment properties in Yunfu was HKD165.2 million. 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 2024, which reflected the financial position of the Group's business.

Revenue

For the six months ended 30 June 2024, the Group recorded a total revenue of HKD378.5 million, representing an increase of 376.1% as compared with that of the six months ended 30 June 2023 of HKD79.5 million. Such increase was mainly attributable to the revenue generated in Supply Chain Business of HKD328.0 million as compared with HKD16.8 million for the six months ended 30 June 2023.

Despite such increase in revenue in Supply Chain Business, the Hotel Management & Catering Services recorded a decrease in revenue from HKD61.4 million for the six months ended 30 June 2023 to HKD49.2 million for the six months ended 30 June 2024.

The total revenue from Property Investment and other businesses has remained stable as compared with that of the six months ended 30 June 2023 of which amounted to approximately HKD1.3 million.

Expenses

The Group's direct costs and operating expenses significantly increased by HKD294.0 million from HKD67.5 million for the six months ended 30 June 2023 to HKD361.5 million for the six months ended 30 June 2024 while administrative expenses increased by HKD3.3 million from HKD20.7 million for the six months ended 30 June 2023 to HKD24.0 million for the six months ended 30 June 2024. The increased in direct costs and operating expenses; and administrative expenses were mainly due to the significant growth in the Supply Chain Business, which accounted for over 86% of the Group's total revenue for the corresponding period.

The Group's impairment losses under expected credit loss model decreased by HKD52.5 million from provision for HKD49.4 million for the six months ended 30 June 2023 to reversal of HKD3.2 million for the six months ended 30 June 2024. Such decrease was mainly due to the significant amounts in outstanding receivables recovered by several customers in the Supply Chain Business.

The Group's finance cost increased by HKD4.2 million from HKD12.5 million for the six months ended 30 June 2023 to HKD16.8 million for the six months ended 30 June 2024, mainly due to the extra compound interest of defaulted bank loan.

Loss for the period

For the six months ended 30 June 2024, the Group recorded a net loss of approximately HKD36.8 million as compared to a net loss of approximately HKD74.2 million for the six months ended 30 June 2023. Such decrease in loss were mainly due to the significant decrease in expected credit losses on trade receivables in the Supply Chain Business.

Investment properties

The investment properties represent the leased out shops of HKD165.2 million (31 December 2023: HKD173.1 million) located in Yunfu, the PRC and leased out commercial building of HKD96.3 million (31 December 2023: HKD106.3 million) located in Beihai City, Guangxi Province, the PRC. The Group recognised fair value loss on investment properties of HKD11.4 million (30 June 2023: HKD3.2 million) due to the challenging business environment in the PRC.

Trade and other receivables

The trade and other receivables mainly represents the trade receivables (net of ECL allowances) of HKD442.9 million (31 December 2023: HKD413.0 million) which mainly from the Supply Chain Business and other receivables of HKD68.5 million (31 December 2023: HKD78.5 million) which mainly from supply chain financing arrangements. As at 30 June 2024, trade receivables (net of ECL allowances) past due within 12 months and over 12 months are HKD17.3 million (31 December 2023: HKD388.7 million) and HKD91.3 million (31 December 2023: HKD20.4 million) respectively.

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.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2024, the cash and cash equivalents of the Group were HKD17.1 million (31 December 2023: HKD85.4 million) and interest-bearing borrowings, including the borrowings and lease liabilities were HKD371.5 million (31 December 2023: HKD381.6 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 30 June 2024 denominated in original currencies:

	At 30 June 2024	
	<i>HKD</i>	<i>RMB</i>
	<i>('000)</i>	<i>('000)</i>
Cash and cash equivalents	5,004	11,347
Borrowings	–	332,033
Lease liabilities	3,510	11,919
	=====	=====
	At 31 December 2023	
	<i>HKD</i>	<i>RMB</i>
	<i>('000)</i>	<i>('000)</i>
Cash and cash equivalents	52,656	29,836
Borrowings	–	335,074
Lease liabilities	–	13,012
	=====	=====

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 30 June 2024, 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 116.2% (31 December 2023: 103.9%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.20 (31 December 2023: 1.25). Both ratios are relatively stable in comparison to that as at 31 December 2023.

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 2024, certain investment properties of the Group with an aggregate carrying amount of approximately HKD185,458,000 (31 December 2023: approximately HKD194,921,000) were pledged to banks for loans granted to the Group.

FINANCIAL GUARANTEES PROVIDED

As at 30 June 2024, the Company had provided corporate guarantees amounting to HKD298.5 million (31 December 2023: HKD305.8 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 2024, the Group acquired property, plant and equipment at a cost of approximately HKD2,650,000 and property, plant and equipment at a net book value of approximately HKD5,000,000 was written-off, resulting in a loss on write-off of approximately HKD5,000,000.

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

As at 30 June 2024 and 31 December 2023, 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 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Major Transaction Acquisition of Target Company Involving Issue of Consideration Shares Under Specific Mandate

On 29 February 2024, the Company, Zhongchuan Investment Holding Co., Limited (宗傳投資控股有限公司) (the “**Vendor**”) and Zhongchuan Investment Group Co., Limited (宗傳投資集團有限公司) (the “**Target Company**”) entered into an agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the sale interest (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the agreement (the “**Acquisition**”). The Acquisition and transactions contemplated thereunder are subject to the approval by the shareholders of the Company approving the Acquisition at a special general meeting of the Company and the satisfaction of the conditions precedent.

The above major transaction had been approved as the ordinary resolution by the shareholders of the Company at the special general meetings of the Company on 17 July 2024.

Save as disclosed above, there was no material acquisitions and disposals of subsidiaries and associated companies by the Group during the six months ended 30 June 2024.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had a total of approximately 280 employees (30 June 2023: approximately 310 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 2024 (30 June 2023: 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 2024, it is expected the economic landscape is full of challenges and opportunities. The management of the Group remains cautiously optimistic regarding the Supply Chain Business and will closely monitor the market situation, enable agile decision-making and proactive risk management. The Group is in the course of acquiring a business principally engaged in iron ore and iron concentrate powder production and sales business and the acquisition is considered as a strategic business move to the Group, which allows the Group to further diversify and strengthen its revenue streams, and pave the way for sustainable development by capitalising on future economic opportunities. The Group aims to enhance its Supply Chain Business by covering a wider range of products achieving both business and market diversification. Simultaneously, the Group will also focus on the continuous advancement of the Hotel Management and Catering Services Business.

Additionally, the Group is negotiating with the bank for renewal and extension for repayments of the overdue bank borrowings and for the extension of the loan agreement.

Looking ahead, the Group aims to enhance the performance of the Supply Chain Business and after the completion of the acquisition, the Group will concentrate on integrating the mining resources and development capabilities to achieve vertical integration for cost efficiency to gain advantage in terms of cost and scale, while at the same time leveraging on the Group's strengths in Supply Chain Business. This strategic positioning enables the Group to capitalize on opportunities within the industry.

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 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2024, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 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 annual general meeting of the Company of 21 June 2024 (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 C3 to the Listing Rules. Having made a 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 2024.

AUDIT COMMITTEE

At the request of the Audit Committee, Baker Tilly Hong Kong Limited, the Group's external auditors have performed certain agreed-upon procedures on the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Related Services 4400 (Revised) "Agreed-Upon Procedures Engagements" issued by the HKICPA.

As the agreed-upon procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, the auditors do not express any assurance on the interim results of the Company for the six months ended 30 June 2024.

The Interim results have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited financial statements of the Group for the six months ended 30 June 2024 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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 and the website of the Company at www.paktakintl.com in due course.

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

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises Mr. Liao Nangang, Ms. Qian Pu, Mr. Wang Jian and Mr. Zhou Yijie 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.