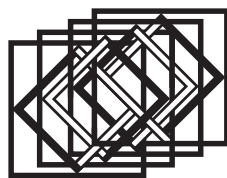


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## **PAK TAK INTERNATIONAL LIMITED**

**( 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 2019**

#### **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 2019 (the “**Interim Results**”) as follows:

*\* for identification purpose only*

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Six months ended	
		30 June	
	Note	2019 HKD'000 (unaudited)	2018 HKD'000 (unaudited) (restated)
<b>Continuing operations</b>			
Revenue	3	431,680	363,399
Other revenue	5	5,471	357
Other net (losses)/gains	5	(576)	7,139
Fair value gain on investment properties	12	8,110	5,313
Direct costs and operating expenses		(413,254)	(349,810)
Administrative expenses		(11,475)	(11,210)
<b>Profit from operations</b>	6	19,956	15,188
Finance costs	7	(6,216)	(3,055)
Share of results of an associate		7,939	—
<b>Profit before taxation</b>		21,679	12,133
Income tax expense	8	(3,652)	(2,001)
<b>Profit from continuing operations</b>		18,027	10,132
<b>Discontinued operation</b>			
Profit/(loss) for the period from discontinued operation	4(a)	23,030	(9,941)
<b>Profit for the period</b>		41,057	191

		Six months ended	
		30 June	
		2019	2018
		HKD'000	HKD'000
Note		(unaudited)	(unaudited) (restated)
<b>Attributable to equity shareholders of the Company:</b>			
	— from continuing operations	18,027	10,133
	— from discontinued operation	23,030	(9,941)
		<u>41,057</u>	<u>192</u>
<b>Attributable to non-controlling interests:</b>			
	— from continuing operations	—	(1)
	— from discontinued operation	—	—
		<u>—</u>	<u>(1)</u>
		<u>41,057</u>	<u>191</u>
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share</b>			
	<b>From continuing and discontinued operations</b>		
	— Basic and diluted	<u>1.42</u>	<u>0.01</u>
<b>From continuing operations</b>			
	— Basic and diluted	<u>0.62</u>	<u>0.35</u>

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

For the six months ended 30 June 2019

	Six months ended	
	30 June	
	2019	2018
	HKD'000	HKD'000
	(unaudited)	(unaudited) (restated)
<b>Profit for the period</b>	<b>41,057</b>	<b>191</b>
<b>Other comprehensive income/(loss) for the period:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(1,257)	(3,001)
— Release of exchange reserve upon disposal of subsidiaries	4,078	—
— Release of exchange reserve upon deemed disposal of an associate	184	—
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
— Fair value change of financial assets at fair value through other comprehensive income, net of tax	(7,760)	(4,387)
<b>Total comprehensive income/(loss) for the period</b>	<b>36,302</b>	<b>(7,197)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	36,302	(7,196)
Non-controlling interests	—	(1)
	<b>36,302</b>	<b>(7,197)</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		At 30 June 2019 HKD'000 (unaudited)	At 31 December 2018 HKD'000 (audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment	11	70,743	86,546
Investment properties	12	194,338	186,683
Investment in an associate	13	—	163,915
Finance lease receivables	15	17,888	19,969
Financial assets at fair value through other comprehensive income	14	248,690	85,768
		<hr/>	<hr/>
		531,659	542,881
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		—	38,571
Trade receivables	16	9,739	38,167
Loan receivables	17	41,106	45,115
Current portion of finance lease receivables	15	30,557	30,286
Other receivables, prepayments and deposits		121,308	34,533
Financial assets at fair value through profit or loss	18	287	210
Cash and cash equivalents		110,452	138,404
		<hr/>	<hr/>
		313,449	325,286
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	19	10,778	26,336
Other payables and accrued charges		10,449	26,633
Contract liabilities		45,685	—
Bond	20	99,748	97,764
Borrowings and overdraft	21	118,191	179,951
Tax payable		1,323	4,756
		<hr/>	<hr/>
		286,174	335,440
		<hr/>	<hr/>

		At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
	<i>Note</i>		
<b>Net current asset/(liabilities)</b>		<b>27,275</b>	<b>(10,154)</b>
<b>Total assets less current liabilities</b>		<b>558,934</b>	<b>532,727</b>
<b>Non-current liabilities</b>			
Borrowings	21	43,833	46,208
Deferred tax liabilities		21,004	14,243
Provision and other accrued charges		—	14,481
		<b>64,837</b>	<b>74,932</b>
<b>NET ASSETS</b>		<b>494,097</b>	<b>457,795</b>
<b>CAPITAL AND RESERVES</b>	22		
Share capital		58,000	58,000
Reserves		436,095	399,793
Equity attributable to equity shareholders of the Company		494,095	457,793
Non-controlling interests		2	2
<b>TOTAL EQUITY</b>		<b>494,097</b>	<b>457,795</b>

## 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 condensed interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2018 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 31 December 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out below 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.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRSs, HKFRS 16 “Leases” and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS16 “Leases”, none of the 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **HKFRS 16 “Leases”**

HKFRS 16 replaces HKAS 17 “Leases”, and the related interpretations, HK(IFRIC) 4 “Determining whether an arrangement contains a lease”, HK(SIC) 15 “Operating leases - incentives”, and HK(SIC) 27 “Evaluation the substance of transactions involving the legal form of a lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transaction options applied are set out below:

**(a) *Changes in the accounting policies***

**(i) *New definition of a leases***

The change in the definition of a lease mainly related to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before January 2019, the Group has used the transitional practical expedient to grandfather that previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continued to be accounted for as executory contracts.

**(ii) *Lease accounting***

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.



The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*(iii) Leasehold investment property*

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and / or for capital appreciation (“**leasehold investment properties**”). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40 “Investment properties”, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

*(iv) Lessor accounting*

In addition to leasing out the investment properties referred to in paragraph (a)(iii) above, the Group leases out a number of items of machineries and motor vehicles as the lessor of finance leases. The accounting policies to the Group as a lessor remain substantially unchanged from those currently under HKAS 17.

**(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies**

*Determining the lease term*

As explained in the above accounting policies, 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.

**(c) Transitional impact**

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

The following table reconciles the operating lease commitments as disclosed in note 33 to the Company's consolidated financial statements as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

**1 January 2019**

*HKD'000*

Operating lease commitments at 31 December 2018	4,223
Less: commitment relating to leases exempt from capitalisation: — short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(4,223)
Total lease liabilities recognised at 1 January 2019	—

### 3. SEGMENT REPORTING

The chief operating decision-maker (“**CODM**”) has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting for purpose of allocating resources to, and assessing the performance of, the Group's various businesses.

The Group is organised into business units based on their products and services and has six reportable operating segments under HKFRS 8 “Operating Segments” which were as follows:

- (i) Supply chain business;
- (ii) Leasing business;
- (iii) Property investment and consultancy;
- (iv) Money lending business;
- (v) Securities investment; and
- (vi) Manufacturing and trading of garment (discontinued).

After the disposal of subsidiaries as described in Note 4(a), the manufacturing and trading of garment was discontinued from 31 May 2019.

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. During the period, the Group renames one of the segments, namely, general trading to supply chain business in order to reflect the nature of this segment more appropriately. There is no change in comparative figures as a result of the change in name of this segment.

The following is an analysis of the Group's revenue and results by reportable segments:

Six months ended 30 June 2019 (unaudited)	Continuing operations						Discontinued operation	Total HKD'000
	Supply chain business HKD'000	Leasing business HKD'000	Property investment and consultancy HKD'000	Money lending business HKD'000	Securities investment HKD'000	Subtotal HKD'000	Manufacturing and trading of garment HKD'000	
Revenue from external customers	<u>421,725</u>	<u>3,570</u>	<u>2,271</u>	<u>4,114</u>	<u>—</u>	<u>431,680</u>	<u>62,743</u>	<u>494,423</u>
Segment result	<u>6,615</u>	<u>842</u>	<u>10,061</u>	<u>527</u>	<u>77</u>	<u>18,122</u>	<u>25,311</u>	<u>43,433</u>
Reconciliation:								
Share of results of an associate								7,939
Interest income								199
Other revenue and other net gains								6,193
Corporate and other unallocated expenses								(2,983)
Finance costs								(7,308)
Profit before taxation								47,473
Income tax expense								(6,416)
Profit for the period								<u>41,057</u>

Six months ended 30 June 2018 (unaudited)	Continuing operations						Discontinued operation	Total HKD'000
	Supply chain business HKD'000	Leasing business HKD'000	Property investment and consultancy HKD'000	Money lending business HKD'000	Securities investment HKD'000	Subtotal HKD'000	Manufacturing and trading of garment HKD'000	
Revenue from external customers	<u>350,235</u>	<u>4,190</u>	<u>2,297</u>	<u>3,764</u>	<u>2,913</u>	<u>363,399</u>	<u>98,126</u>	<u>461,525</u>
Segment result	<u>(1,462)</u>	<u>2,450</u>	<u>7,299</u>	<u>1,770</u>	<u>6,401</u>	<u>16,458</u>	<u>(5,596)</u>	<u>10,862</u>
Reconciliation:								
Interest income								306
Other revenue and other net gains								2,566
Corporate and other unallocated expenses								(3,048)
Finance costs								(3,797)
Profit before taxation								6,889
Income tax expense								(6,698)
Profit for the period								<u>191</u>

The Group's revenue from external customers by geographical market is as follows:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HKD'000</b>	<b>HKD'000</b>
		<b>(restated)</b>
<b>Continuing operations</b>		
Asia	<b>431,680</b>	<b>363,399</b>
<b>Discontinued operation</b>		
United States of America ("U.S.A.")	<b>47,687</b>	<b>63,024</b>
Europe	<b>6,191</b>	<b>16,434</b>
Asia	<b>5,058</b>	<b>13,005</b>
Others	<b>3,807</b>	<b>5,663</b>
	<b>62,743</b>	<b>98,126</b>
<b>Total</b>	<b>494,423</b>	<b>461,525</b>

The Group's revenue from continuing operations from external customers by recognition is as follows:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HKD'000</b>	<b>HKD'000</b>
<b>Continuing operations</b>		
A point in time	<b>424,125</b>	<b>353,148</b>
Over time	<b>7,555</b>	<b>10,251</b>
	<b>431,680</b>	<b>363,399</b>
<b>Discontinued operation</b>		
A point in time	<b>62,735</b>	<b>97,642</b>
Over time	<b>8</b>	<b>484</b>
	<b>62,743</b>	<b>98,126</b>
<b>Total</b>	<b>494,423</b>	<b>461,525</b>

#### 4. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

- (a) On 31 May 2019, the Group entered into a share transfer agreement (the “**Share Transfer Agreement**”) with a purchaser pursuant to which the Group has agreed to dispose of the entire issued share capital of Mega Grade Holdings Limited (“**Mega Grade**”) and its subsidiaries (collectively, the “**Mega Grade Group**”) which was principally engaged in manufacturing and trading of garment business for a cash consideration of RMB10,000 (equivalent to HKD11,364) to the purchaser (the “**Disposal**”). Completion of the Disposal under the Share Transfer Agreement took place on 31 May 2019 on which date control of the Mega Grade Group was passed to the purchaser. After the completion of the Disposal, the Mega Grade Group ceased to be subsidiaries of the Company; and the assets, liabilities and financial results of the Mega Grade Group are no longer consolidated in the condensed consolidated financial statements of the Group. Details of the Disposal was set out in the announcement of the Company dated 31 May 2019.

The results from the discontinued manufacturing and trading of garment for the current and preceding interim periods are analysed below.

##### Results of discontinued operation

	1 January to 31 May 2019 <i>HKD'000</i> (unaudited)	1 January to 30 June 2018 <i>HKD'000</i> (unaudited)
Revenue	62,743	98,126
Direct costs and operating expenses	(65,521)	(93,712)
Other revenue	1,315	2,453
Other net gains	259	1,070
Administrative expenses	(6,515)	(1,969)
Selling expenses	(1,279)	(10,470)
Loss from operations	(8,998)	(4,502)
Finance costs	(1,092)	(742)
Loss before taxation	(10,090)	(5,244)
Income tax expense	(2,764)	(4,697)
Results from operating activities, net of tax	(12,854)	(9,941)
Gain on sales of discontinued operation	35,884	—
Profit/(loss) from discontinued operation for the period, net of tax	23,030	(9,941)

**The net cash inflows/(outflows) incurred by discontinued operation**

	<b>1 January to 31 May 2019 <i>HKD'000</i> (unaudited)</b>	1 January to 30 June 2018 <i>HKD'000</i> (unaudited)
Net cash used in operating activities	<b>(17,714)</b>	(52,276)
Net cash generated from/(used in) investing activities	<b>74</b>	(2,509)
Net cash generated from financing activities	<b>18,032</b>	53,819
	<hr/>	<hr/>
Net cash inflows/(outflows)	<b>392</b>	(966)
	<hr/> <hr/>	<hr/> <hr/>

**Disposal of subsidiaries**

The net liabilities of those disposed subsidiaries at the date of disposal were as follows:

	<i>HKD'000</i> (unaudited)
Net liabilities disposed of:	
Property, plant and equipment	10,694
Deferred tax assets	2,035
Inventories	46,910
Trade receivables	12,836
Other receivables, prepayments and deposits	12,412
Cash and cash equivalents	9,901
Trade payables	(14,178)
Other payables and accrued charges	(50,136)
Borrowings and overdraft	(56,755)
Provision and other accrued charges	(13,670)
	<hr/>
Net liabilities	(39,951)
	<hr/> <hr/>
Consideration received:	
Cash received	11
Add: net liabilities disposed of	39,951
Release of exchange reserve upon completion of the Disposal	(4,078)
	<hr/>
Gain on disposal of subsidiaries	35,884
	<hr/> <hr/>
Outflows of cash arising from disposal of subsidiaries:	
Consideration received in cash	11
Cash and cash equivalents in subsidiaries disposed of	(9,901)
	<hr/>
Net cash outflows from disposal of subsidiaries	(9,890)
	<hr/> <hr/>

- (b) On 2 January 2019, the Group entered into a sale and purchase agreement with a purchaser to dispose of the entire issued share capital of Ample Colour Investments Limited and its subsidiaries (the “**Ample Group**”) at a cash consideration of HKD2,000,000 to the purchaser. The principal activities of Ample Group are investment holdings and engaged in the provision of administrative service to the Group. The disposal was completed on 2 January 2019. An analysis of the net assets of Ample Group and its subsidiaries disposed of is as follows:

	<i>HKD'000</i> (unaudited)
Net assets disposed of:	
Property, plant and equipment	1,169
Other receivables, prepayments and deposits	34
Cash and cash equivalents	50
Other payables and accrued charges	(11)
	<hr/>
Net assets	1,242
	<hr/> <hr/>
Consideration received:	
Cash received	2,000
Less: net assets disposed of	(1,242)
	<hr/>
Gain on disposal of subsidiaries	758
	<hr/> <hr/>
Inflows of cash arising from disposal of subsidiaries:	
Consideration received in cash	2,000
Cash and cash equivalents in subsidiaries disposed of	(50)
	<hr/>
Net cash inflows from disposal of subsidiaries	1,950
	<hr/> <hr/>



## 5. OTHER REVENUE AND OTHER NET (LOSSES)/GAINS

	Six months ended 30 June	
	2019	2018
	HKD'000	HKD'000
	(unaudited)	(unaudited) (restated)
<b>Other revenue</b>		
Dividend income	5,272	77
Interest income	199	279
Sundry	—	1
	<u>5,471</u>	<u>357</u>
<b>Other net (losses)/gains</b>		
Exchange loss, net	—	(64)
Gain on disposal of assets classified as held for sale	—	1,560
Gain on disposal of subsidiaries ( <i>see Note 4(b)</i> )	758	—
Loss on deemed disposal of an associate ( <i>see Note 13</i> )	(1,411)	—
Fair value change of financial assets at fair value through profit or loss	77	5,643
	<u>(576)</u>	<u>7,139</u>

## 6. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2019	2018
	HKD'000	HKD'000
	(unaudited)	(unaudited) (restated)
Profit from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	<u>1,042</u>	<u>397</u>

## 7. FINANCE COSTS

The finance costs represent interests on bond, bank loans, other borrowings and overdraft for the respective period.

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited) (restated)
<b>Current tax</b>		
— Hong Kong	51	868
— The People's Republic of China (the "PRC")	1,559	37
	<u>1,610</u>	<u>905</u>
<b>Deferred tax</b>		
— Hong Kong	15	(234)
— The PRC	2,027	1,330
	<u>2,042</u>	<u>1,096</u>
Income tax expense	<u><u>3,652</u></u>	<u><u>2,001</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2019 and 30 June 2018

The subsidiaries in the PRC are subject to a corporation income tax rate of 25%. Provision for income tax has been made by the Company's subsidiaries for the six months ended 30 June 2019 and 30 June 2018.

## 9. EARNINGS PER SHARE

The diluted earnings per share for the six months ended 30 June 2019 and 30 June 2018 was the same as the basic earnings per share. The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of the shares for the six months ended 30 June 2018. There is no impact on the diluted earnings per share for the six months ended 30 June 2019 as all of the Company's warrant had expired on 27 August 2018.

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HKD'000</b>	<b>HKD'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Profit attributable to equity shareholders of the Company		
— From continuing operations	<b>18,027</b>	10,133
— From discontinued operation	<b>23,030</b>	(9,941)
	<u><b>41,057</b></u>	<u>192</u>
Number of shares	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue	<u><b>2,900,000</b></u>	<u>2,900,000</u>

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

## **10. DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HKDNil).

## **11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of HKD34,000 (six months ended 30 June 2018: HKD4,260,000).

Assets with a carrying amount of HKD11,863,000 were disposed of as part of the discontinued operation (see Note 4).

## 12. INVESTMENT PROPERTIES

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
At the beginning of the period/year	186,683	191,677
Exchange realignment	(455)	(10,107)
Fair value gain	8,110	5,113
	<hr/>	<hr/>
At the end of the period/year	<b>194,338</b>	186,683
	<hr/>	<hr/>

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

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

At 30 June 2019, the Group's investment properties with an aggregate carrying amount of HKD194,338,000 (31 December 2018: HKD186,683,000), were pledged to bank for bank loans granted to the Group (Note 21(a)).

### Fair value measurement of the Group's investment properties

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

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

The fair value of the Group's investment properties at 30 June 2019 has been arrived at on the basis of valuation by 深圳市國正信資產評估土地房地產估價有限公司 (31 December 2018: 深圳市遂興房地產評估有限公司), an independent qualified professional valuer not connected with the Group.

The valuation of the Group's investment properties at 30 June 2019 and 31 December 2018 are derived by recent comparable sales transactions in the relevant property market in the PRC together with unobservable inputs and are therefore grouped into Level 3 of fair value measurement. During the reporting period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
At the beginning of the period/year	186,683	191,677
Exchange realignment	(455)	(10,107)
Fair value gain	8,110	5,113
	<hr/>	<hr/>
At the end of the period/year	<b>194,338</b>	<b>186,683</b>
	<hr/> <hr/>	<hr/> <hr/>

### 13. INVESTMENT IN AN ASSOCIATE

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Share of net assets other than goodwill	135,466	127,472
Goodwill	36,443	36,443
Loss on deemed disposal	(1,411)	—
Release of exchange reserve upon deemed disposal of an associate	184	—
Transfer to unlisted equity investment at fair value through other comprehensive income ( <i>see Note 14</i> )	(170,682)	—
	<hr/>	<hr/>
At the end of the period/year	<b>—</b>	<b>163,915</b>
	<hr/> <hr/>	<hr/> <hr/>

On 3 June 2018, Hua Tong Group Limited, a direct wholly-owned subsidiary of the Company, has acquired 28% of issued share capital in the Golden Affluent Limited (“**Golden Affluent**”), for a cash consideration of HKD168,200,000 from an independent third party. The acquisition was completed on 29 June 2018.

Golden Affluent is incorporated in the British Virgin Island with limited liability and principally engaged in investment holding and its subsidiaries are engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC.

The investment in an associate is accounted for using equity method in the condensed consolidated financial statements.

At 31 December 2018, the Group held 28% shareholding interest in Golden Affluent and accounted for the investment as an associate. On 28 June 2019, Golden Affluent allotted and issued 23,551,034 new ordinary shares by way of placing of new shares and the Group’s shareholding interest in this associate was diluted from 28% to 19%.

As a result, the Group was deemed to have disposed of 9% shareholding interest in Golden Affluent and ceased to have significant influence over Golden Affluent. The Group has then accounted for the remaining 19% shareholding interest in Golden Affluent as financial asset at fair value through other comprehensive income whose fair value at the date of deemed disposal was approximately HKD 170,682,000. The deemed disposal has resulted in the recognition of a loss on deemed disposal in the profit or loss, calculated as follows:

	<i>HKD’000</i> (unaudited)
Fair value of 19% shareholding interest in Golden Affluent on the date of loss of significant influence	<b>170,682</b>
Less: Carrying amount of 28% shareholding interest in Golden Affluent on the date of loss of significant influence	<b>(171,909)</b>
Release of exchange reserve upon deemed disposal	<b>(184)</b>
	<hr/>
Loss on deemed disposal	<b>(1,411)</b>
	<hr/> <hr/>

#### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Listed equity securities in Hong Kong	78,008	85,768
— Unlisted equity securities in Hong Kong ( <i>Note</i> )	170,682	—
	<u>248,690</u>	<u>85,768</u>

*Note:* The unlisted equity securities are shares in Golden Affluent. The Group re-designated its investment in Golden Affluent at FVOCI (non-recycling) as the investment is held for strategic purposes.

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

#### 15. FINANCE LEASE RECEIVABLES

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Non-current finance lease receivables	17,888	19,969
Current finance lease receivables	30,557	30,286
	<u>48,445</u>	<u>50,255</u>

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

	Minimum lease payments receivable		Present value of minimum lease payments	
	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Within one year	35,052	34,318	30,557	30,286
Later than one year and not later than five years	18,227	20,108	17,888	19,969
	53,279	54,426	48,445	50,255
Less: Unearned interest income	(4,834)	(4,171)	—	—
Present value of minimum lease payments receivable	<u>48,445</u>	<u>50,255</u>	<u>48,445</u>	<u>50,255</u>

Certain motor vehicles and machineries are leased out under finance leases with lease terms of 36 months to 48 months (31 December 2018: 36 to 48 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 6.2% to 8% (31 December 2018: 6.2% to 8%) per annum.

Finance lease receivables are secured over the motor vehicles and machineries leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. The finance lease receivables at 30 June 2019 and 31 December 2018 are neither past due nor impaired.

## 16. TRADE RECEIVABLES

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

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Within 1 month	9,581	25,843
1 to 3 months	—	11,433
3 to 12 months	158	698
Over 12 months	—	193
	<u>9,739</u>	<u>38,167</u>



## 17. LOAN RECEIVABLES

The loan receivables from the money lending line of business is provided to independent third parties after a credit assessment on the borrower, bear interest ranging from 8% to 12% per annum and repayable within 1 year (31 December 2018: interest ranging from 8% to 10% per annum and repayable within 1 year).

As at 30 June 2019, loan receivables of HKD20,072,000 (31 December 2018: HKD20,016,000) were secured by the charges on certain shares of a company listed on the Main Board of the Stock Exchange held by the borrower; and loan receivables of HKD21,034,000 (31 December 2018: HKD25,099,000) were secured by the personal guarantee given by the sole director and sole shareholder of the borrower.

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVPL”)

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Held for trading investments at fair value		
— Listed equity securities in Hong Kong	<u>287</u>	<u>210</u>

## 19. TRADE PAYABLES

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

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Within 1 month	8,558	21,240
1 to 3 months	1,203	4,672
3 to 12 months	1,017	352
Over 12 months	—	72
	<u>10,778</u>	<u>26,336</u>

## 20. BOND

The bond carries fixed coupon rate of 5% per annum and is repayable within 12 months from the date of issue, which is 24 July 2018. Subsequent to 30 June 2019, the bond has fully repaid in July 2019.

Transaction cost of placing commission of 4% of the principal amount of bond is incurred and amortised over the expected life of the bond.

## 21. BORROWINGS AND OVERDRAFT

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Bank loans, secured ( <i>Note (a)</i> )	48,354	95,182
Bank overdraft ( <i>Note (a)</i> )	—	17,117
Other borrowings, secured ( <i>Note (b)</i> )	113,670	—
Other borrowings, unsecured ( <i>Note (b)</i> )	—	113,860
	<u>162,024</u>	<u>226,159</u>

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

	At 30 June 2019 <i>HKD'000</i> (unaudited)	At 31 December 2018 <i>HKD'000</i> (audited)
Within 1 year	118,191	179,951
After 1 year but within 2 years	4,831	4,678
After 2 years but within 5 years	39,002	41,530
	<u>162,024</u>	<u>226,159</u>
Less: Amount due within one year or repayable on demand classified as current liabilities	<u>(118,191)</u>	<u>(179,951)</u>
	<u>43,833</u>	<u>46,208</u>

*Notes:*

- (a) At 30 June 2019, bank loan of HKD48,354,000 (31 December 2018: HKD50,602,000) was secured by investment properties of the Group.

At 31 December 2018, bank loans of HKD44,580,000 were secured by corporate guarantee from the Company, legal charges on leasehold properties of companies controlled by and personal guarantees from Mr. Cheng Kwai Chun (“**Mr. Cheng**”), a director of a wholly owned subsidiary of the Company. Bank overdraft of HKD17,117,000 was secured by legal charge on certain assets of Mr. Cheng.

- (b) Other borrowings are obtained from independent third parties. At 30 June 2019, other borrowings amount of HKD113,670,000 were secured by corporate guarantee from the Company, interest-bearing at 8% per annum and repayable within 1 year.

At 31 December 2018, other borrowings were obtained from independent third parties. Amount of HKD113,860,000 was unsecured, interest-bearing at 4.35% per annum and repayable within 1 year.

## **22 CAPITAL AND RESERVES**

On 27 August 2015, the Company issued 283,000,000 unlisted warrants at HKD0.02 each to six independent third parties raising HKD5,490,000 in net. The warrants entitled the holders to subscribe for 283,000,000 ordinary shares of the Company at a subscription price of HKD3.00 each at any time during a period of 36 months commencing from the date of issue of the warrants. On 27 August 2018, all the unlisted warrants had expired and no subscription rights attached to these warrants were exercised and the warrant reserve was released to retained profits accordingly.

## **23. PLEDGE OF ASSETS**

At 30 June 2019, the investment properties of the Group with carrying amount of approximately HKD194,338,000 (31 December 2018: approximately HKD186,683,000) have been pledged to secure a bank loan granted to the Group.

## 24. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

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

	Six months ended 30 June	
	2019	2018
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,705	2,651
Contributions to defined contribution retirement plan	102	63
	<u>2,807</u>	<u>2,714</u>

### (b) Financing arrangements

At 31 December 2018, certain general banking facilities totaling HKD75,000,000 were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng, the director and legal representative of certain subsidiaries of the Company, legal charges on certain assets of Mr. Cheng and personal guarantees from Mr. Cheng. At 31 December 2018, these facilities were utilised by the Group to the extent of HKD61,677,000.

### (c) Other related party transactions

The Group also entered into the following material related party transactions during the period:

		Six months ended 30 June	
Related parties	Nature of transactions	2019	2018
		<i>HKD'000</i>	<i>HKD'000</i>
		(unaudited)	(unaudited)
Companies in which Mr. Cheng has interests or significant influence	Sales of goods	499	952
	Rental and other income received	139	149
	Overdue interest income	—	21
	License fee paid	376	451
	Rental expenses paid	1,600	1,920
		<u>2,614</u>	<u>2,593</u>

Trade receivables at 30 June 2019 included amounts of HKDNil (31 December 2018: HKD367,000) which were due from the above related parties.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2019, the principal activities of the Group are: (i) supply chain business (the “**Supply Chain Business**”), (ii) leasing business (the “**Leasing Business**”), (iii) property investment and consultancy (the “**Property Investment**”), (iv) money lending business (the “**Money Lending Business**”) and (v) securities investment (the “**Securities Investment**”). Following the completion of the disposal of the manufacturing and trading of garment business companies, the Group ceased to operate such business on 31 May 2019.

## BUSINESS REVIEW

### Continuing Operations

#### *Supply Chain Business*

During the six months ended 30 June 2019, the Supply Chain Business recorded a revenue of HKD421.7 million, an increase of HKD71.5 million as compared with the corresponding period in 2018. The Supply Chain Business mainly focuses on the sourcing and distribution of non-ferrous metals and construction materials. The Group also provides value-added services including but not limited to inventory management and logistics support, to broaden the income stream from such business. Its customers include major non-ferrous metals mining and production companies and integrated infrastructure companies in the PRC.

#### *Leasing Business*

The Leasing Business is operated through direct lease or sale-and-leaseback arrangement. As at 30 June 2019, the aggregate finance lease receivables was HKD48.4 million and recognised revenue of HKD3.6 million for the six months ended 30 June 2019. As at the date of this announcement, all the finance lease receivables as at 30 June 2019 have been collected and received on time. The Group adopted a prudent approach in the Leasing Business to minimise its credit and business risks.

#### *Property Investment*

During the six months ended 30 June 2019, the investment properties located in Yunfu, PRC recorded a revenue of rental income of HKD2.3 million. As at 30 June 2019, the fair value of the above investment properties amounted to HK\$194.3 million, representing a fair value gain of HKD8.1 million. The Group will continue to lease out the investment properties for rental income and the Group may realise its properties investment to enhance the Group’s working capital if necessary and when timing is appropriate.

### ***Money Lending Business***

As at 30 June 2019, loans receivables of the Money Lending Business amounted to HKD41.1 million which are repayable within a year, and recognised loan interest income of HKD4.1 million for the six months ended 30 June 2019. The rate of return of the Money Lending Business is in the range of 8% to 12%. All the loan receivables are repayable according to the repayment schedules. In order to ensure a healthy development for Money Lending Business, the Group will continue to adopt a prudent risk management policy, and also to carry out regularly review of credit risk over the existing borrowers.

### ***Securities Investment***

The Group conducts securities investment activities included listed securities in its ordinary and normal course of business. The Group adopts a prudent investment strategy for short-term investments and long-term investments and will closely monitor the market changes and adjust its investment portfolio as and when necessary.

### **Discontinued Operation**

#### ***Disposal of the manufacturing and trading of garment business companies***

On 31 May 2019, the Company entered into a share transfer agreement with an independent third party for the disposal of the entire issued share capital of Mega Grade at cash consideration of RMB10,000 (equivalent to approximately HKD11,364) (the “**Disposal**”). The Mega Grade Group is principally engaged in the manufacturing and trading of garments. Completion took place immediately upon the execution of the agreement. Upon completion of the Disposal, the Mega Grade Group has ceased to be part of the Group and the Group no longer engages in the business in manufacturing and trading in garments.

Details of the Disposal were disclosed in the Company’s announcements dated 31 May 2019.

### **FINANCIAL REVIEW**

Below is an analysis of our key financial information including, but not limited to revenue, expenses and profit for the period, which reflected the financial position of the business.

## **Revenue**

For the six months ended 30 June 2019, the Group recorded a total revenue of HKD431.7 million, representing an increase of 18.8% as compared with that of the six months ended 30 June 2018 of HKD363.4 million. Such increase was mainly attributable to the revenue generated in Supply Chain Business of HKD421.7 million as compared with HKD350.2 million for the six months ended 30 June 2018.

The total revenue from Money Lending Business, Securities Investment, Leasing Business, and Property Investment amounted to approximately HKD10.0 million as compared with that of the six months ended 30 June 2018 of HKD13.2 million.

## **Expenses**

For the six months ended 30 June 2019, the Group's direct costs and operating expenses significantly increased by HKD63.4 million from HKD349.8 million for the six months ended 30 June 2018 to HKD413.2 million for the six months ended 30 June 2019. The increase in direct costs and operating expenses is mainly due to the significant growth in Supply Chain Business whereas the revenue from Supply Chain Business accounted for 97.7% of the Group's total revenue.

The Group's administrative expenses slightly increased by HKD0.3 million from HKD11.2 million for the six months ended 30 June 2018 to HKD11.5 million for the six months ended 30 June 2019.

## **Profit for the period**

For the six months ended 30 June 2019, the Group recorded a net profit of approximately HKD41.1 million as compared to a net profit of approximately HKD0.2 million for the six months ended 30 June 2018, such increase of net profit was mainly due to (a) the one-off gain of HKD35.9 million arising from the disposal of the garment business companies which was completed in May 2019; and (b) profit contribution from Supply Chain Business of HKD6.6 million.

## **Other receivables, prepayments and deposits**

As at 30 June 2019, the Group's other receivables, prepayments and deposits significantly increased by HKD86.8 million from HKD34.5 million as at 31 December 2018 to HKD121.3 million. Such increase was mainly due to a trade deposit amounted to RMB100.0 million (equivalent to HKD114.1 million) paid for purchasing non-ferrous metals.

## Contract liabilities

As at 30 June 2019, the Group's recorded a contract liabilities of approximately HKD45.7 million (31 December 2018: Nil). The balance mainly attributable by the receipt in advance of RMB40.0 million (equivalent to HKD45.5 million) from a customer for trading non-ferrous metals.

## LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, the cash and cash equivalents (excluding bank overdrafts) of the Group were HKD110.5 million (31 December 2018: HKD138.4 million) and interest-bearing borrowings, included the unlisted bond, the borrowings and overdraft, were HKD261.8 million (31 December 2018: HKD323.9 million). The following table details the cash and cash equivalents, the bond and the borrowings and overdraft of the Group at the end of the reporting period denominated in original currencies:

	At 30 June 2019		
	HKD (‘000)	RMB (‘000)	USD (‘000)
Cash and cash equivalents	14,313	85,860	—
Bond	99,748	—	—
Borrowings and overdraft	—	142,540	—

	At 31 December 2018		
	HKD (‘000)	RMB (‘000)	USD (‘000)
Cash and cash equivalents	8,866	108,612	758
Bond	97,764	—	—
Borrowings and overdraft	61,698	144,442	—

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 30 June 2019, the gearing ratio, which is calculated on the basis of total borrowings over total shareholders' fund of the Group, was 53.0% (31 December 2018: 70.8%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.10 (31 December 2018: 0.97). Increase in liquidity ratio was due to the disposal of the manufacturing and trading of garment business with net current liabilities during the six months ended 30 June 2019.



## **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 dollar, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in Renminbi and United States dollar, 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 dollar. 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 the borrowings and overdrafts, which 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 variety of means.

## **MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES**

### **Discloseable Transaction in Relation to the Disposal of Subsidiaries**

As announced by the Company on 31 May 2019, the Company disposed of the entire issued share capital of Mega Grade at the consideration of RMB10,000 (equivalent to HKD11,364). The Mega Grade Group is principally engaged in the manufacturing and trading of garments. Completion of the disposal took place on 31 May 2019. Thereafter the Mega Grade Group ceased to be subsidiaries of the Company.

Save as disclosed above, there were no other material acquisitions and disposals of subsidiaries by the Group during the six months ended 30 June 2019.

## **PLEDGED ON GROUP ASSETS**

As at 30 June 2019, certain of the Group's investment properties located in Yunfu, PRC with net carrying amount of approximately HKD194.3 million (31 December 2018: approximately HKD186.7 million) were pledged to secure the banking facilities of the Group.

## FINANCIAL GUARANTEES PROVIDED

As at 30 June 2019, the Company had provided corporate guarantees amounting to HKD170.5 million (31 December 2018: HKD111.9 million) in favour of certain banks and lenders in connection with facilities granted to certain subsidiaries of the Group.

The guarantees were provided by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKFRS 9, Financial instruments, had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at 30 June 2019, the Directors considered it was not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees provided amounted to the facilities drawn down by the subsidiaries of HKD113.7 million (31 December 2018: HKD44.6 million).

## CAPITAL EXPENDITURES AND COMMITMENTS

During the period under review, the Group invested HKD34,000 (31 December 2018: HKD75.9 million) on properties, plant and equipment and investment properties, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 30 June 2019 and 31 December 2018, the Group had no capital commitments.

## SIGNIFICANT INVESTMENTS HELD

As at 30 June 2019, the significant investments held by the Group are as follows:

	<b>30 June 2019 HKD'000</b>	<b>31 December 2018 HKD'000</b>
Investment in an associate	—	163,915
Financial assets at fair value through other comprehensive income	<b>248,690</b>	85,768
Financial assets at fair value through profit or loss	<b>287</b>	210
	<b>248,977</b>	<b>249,893</b>

Save as disclosed above, there were no significant investments held by the Group for the six months ended 30 June 2019.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2019, the Group had a total of approximately 40 employees (30 June 2018: approximately 500 employees). The significant decrease is mainly due to the Disposal in May 2019. The total staff cost of the Group amounted to approximately HKD7.2 million during the period, representing 1.7% of the Group's turnover. 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 2019 (30 June 2018: HKDNil).

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **FUTURE PROSPECTS**

The Group will continue to expand its Supply Chain Business and Leasing Business in the PRC, and expected to have a growth on the supply chain service on the provision of construction materials and leasing of construction machinery. The Group aims to increase its revenue by enhancing the varieties of products, strengthening the marketing efforts and broadening the customer base. After the end of the reporting period, the Group and one of its existing customers entered into a credit facility agreement for the provision of revolving finance leasing of construction machinery with the amounts not exceeding RMB90 million for a term of two years. For the other businesses including Property Investment, Money Lending Business and Securities Investment, we will keep a cautious and prudent approach and maintain the current scale of such businesses.

Although the economy is full of uncertainty affected by the ongoing United States-China trade argument and the unstable political environment, the management will keep exercise prudence to safeguard the resources and achieve a steady and stable growth of the Group, and enhance the returns to the shareholders of the Company.

## **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 2019.

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

During the six months ended 30 June 2019, 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 deviations:

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jian ("**Mr. Wang**") served as both the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Wang has extensive experience in the construction and engineering industry and is responsible for the overall corporate strategies, planning and business development of the Group. Accordingly, the Board believes that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decision efficiently and consistently, and the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals, with the majority of the member of the Board being non-executive Directors (including independent non-executive Directors); and

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Mr. Law Fei Shing ("**Mr. Law**"), who is a non-executive Director of the Company, was not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Bye-laws of the Company. When Mr. Law is due for re-election, the nomination committee of the Board and the Board will review his performance and consider whether a recommendation should be made to the shareholders of the Company on his re-election at the annual general meeting in accordance with the Company's policy on selection and nomination of Directors. As such, the Board is of the view that sufficient safeguards are in place to ensure that Mr. Law will remain suitable for directorship of the Company.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions (the “**Model Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the six months ended 30 June 2019.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed the Interim Results with no disagreement. At the request of the Directors, the Group's external auditors have carried out a review of the Interim Results in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

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

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

On behalf of the Board  
**Pak Tak International Limited**  
**Wang Jian**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2019

*As at the date of this announcement, the Board comprises Mr. Wang Jian, Ms. Qian Pu and Mr. Feng Guoming as Executive Directors; Mr. Law Fei Shing and Mr. Shin Yick Fabian as Non-executive Directors; and Mr. Liu Kam Lung, Mr. Chan Kin Sang and Mr. Zheng Suijun as Independent Non-executive Directors.*