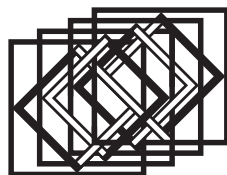


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PAK TAK INTERNATIONAL LIMITED

(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 2020

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 2020 (the “**Interim Results**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
	Note	2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Continuing operations			
Revenue	3	1,164,552	431,680
Other revenue	5	8,913	5,471
Other net gains/(losses)	5	336	(576)
Fair value gain on investment properties	12	9,698	8,110
Direct costs and operating expenses		(1,131,342)	(413,254)
Administrative expenses		(12,351)	(11,475)
Profit from operations	6	39,806	19,956
Finance costs	7	(15,341)	(6,216)
Share of results of an associate		—	7,939

** for identification purpose only*

		Six months ended	
		30 June	
	<i>Note</i>	2020	2019
		<i>HKD'000</i>	<i>HKD'000</i>
		(unaudited)	(unaudited)
Profit before taxation		24,465	21,679
Income tax expense	8	(7,585)	(3,652)
Profit from continuing operations		16,880	18,027
Discontinued operation			
Profit for the period from discontinued operation	4(a)	—	23,030
Profit for the period		16,880	41,057
Attributable to equity shareholders of the Company:			
— from continuing operations		16,880	18,027
— from discontinued operation		—	23,030
		16,880	41,057
Earnings per share	9		
From continuing and discontinued operations			
— Basic and diluted (in HK cents)		0.58	1.42
From continuing operations			
— Basic and diluted (in HK cents)		0.58	0.62

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
	Note	2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Profit for the period		16,880	41,057
Other comprehensive (loss)/income for the period:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		(7,346)	(1,257)
— Release of exchange reserve upon disposal of subsidiaries	4(a)	—	4,078
— Release of exchange reserve upon deemed disposal of an associate	13	—	184
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
— Fair value change of financial assets at fair value through other comprehensive income, net of tax		(19,469)	(7,760)
Total comprehensive (loss)/income for the period		(9,935)	36,302
Attributable to equity shareholders of the Company		(9,935)	36,302

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
	Note		
Non-current assets			
Property, plant and equipment	11	73,892	69,860
Investment properties	12	197,059	191,056
Finance lease receivables	15	28,051	44,327
Financial assets at fair value through other comprehensive income	14	219,191	238,660
		<u>518,193</u>	<u>543,903</u>
Current assets			
Inventories		—	1,961
Trade receivables	16	364,879	333,936
Loan receivables	17	41,026	14,995
Current portion of finance lease receivables	15	15,061	30,548
Other receivables, prepayments and deposits		158,904	41,493
Financial assets at fair value through profit or loss	18	247,851	243
Pledged bank deposits		43,848	—
Cash and cash equivalents		47,084	105,034
		<u>918,653</u>	<u>528,210</u>
Current liabilities			
Trade and bills payables	19	410,558	65,301
Other payables and accrued charges		33,184	20,031
Contract liabilities		17,064	3,756
Bonds	20	189,921	189,572
Borrowings and overdraft	21	235,597	236,082
Lease liabilities		1,890	—
Tax payable		5,054	6,342
		<u>893,268</u>	<u>521,084</u>
Net current assets		<u>25,385</u>	<u>7,126</u>

		At 30 June 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
	<i>Note</i>		
Total assets less current liabilities		543,578	551,029
Non-current liabilities			
Borrowings	21	33,157	35,930
Lease liabilities		3,260	—
Deferred tax liabilities		22,635	20,638
		59,052	56,568
NET ASSETS		484,526	494,461
CAPITAL AND RESERVES			
Share capital		58,000	58,000
Reserves		426,524	436,459
Equity attributable to equity shareholders of the Company		484,524	494,459
Non-controlling interests		2	2
TOTAL EQUITY		484,526	494,461

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 2019 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 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- Amendments to HKFRS 3, “*Definition of a Business*”
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, “*Interest Rate Benchmark Reform*”
- Amendments to HKAS 1 and HKAS 8, “*Definition of Material*”
- Amendments to HKFRS 16, “*COVID-19-Related Rent concessions*”

Other than amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of the amended HKFRS, is disclosed below:

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received will be accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

3. SEGMENT REPORTING

The chief operating decision-maker (“**CODM**”) has been identified as the executive director 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 recognised 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 prior period, the Group renamed 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.

- (a) The Group's revenue from external customers by geographical market is as follows:

	Six months ended	
	30 June	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Asia	<u>1,164,552</u>	<u>431,680</u>
Discontinued operation		
United States of America ("U.S.A.")	—	47,687
Europe	—	6,191
Asia	—	5,058
Others	<u>—</u>	<u>3,807</u>
	<u>—</u>	<u>62,743</u>
Total	<u>1,164,552</u>	<u>494,423</u>

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

	Continuing operations					
	Supply chain business	Leasing business	Property investment and consultancy	Money lending business	Securities investment	Total
Six months ended 30 June 2020 (unaudited)	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Disaggregated by timing of revenue recognition						
Point in time	1,155,474	—	—	680	—	1,156,154
Over time	—	3,959	1,943	2,496	—	8,398
Revenue from external customers	1,155,474	3,959	1,943	3,176	—	1,164,552
Disaggregation of revenue						
Revenue from contracts with customers within the scope of HKFRS 15	1,155,474	—	—	3,176	—	1,158,650
Revenue from other sources	—	3,959	1,943	—	—	5,902
Reportable segment revenue	1,155,474	3,959	1,943	3,176	—	1,164,552
Segment result	20,947	2,183	11,471	698	(108)	35,191
Reconciliation:						
Interest income						322
Other revenue and other net gains						8,591
Unallocated gains						444
Corporate and other unallocated expenses						(4,843)
Finance costs						(15,240)
Profit before taxation						24,465
Income tax expense						(7,585)
Profit for the period						16,880

	Continuing operations						Discontinued operation	
							Manufacturing and trading of	
	Supply chain business	Leasing business	Property investment and consultancy	Money lending business	Securities investment	Subtotal	garment	Total
Six months ended 30 June 2019 (unaudited)	HKD '000	HKD '000	HKD '000	HKD '000	HKD '000	HKD '000	HKD '000	HKD '000
Disaggregated by timing of revenue recognition								
Point in time	421,725	—	—	2,400	—	424,125	62,735	486,860
Over time	—	3,570	2,271	1,714	—	7,555	8	7,563
Revenue from external customers	421,725	3,570	2,271	4,114	—	431,680	62,743	494,423
Disaggregation of revenue								
Revenue from contracts with customers within the scope of HKFRS 15	421,725	—	—	4,114	—	425,839	62,743	488,582
Revenue from other sources	—	3,570	2,271	—	—	5,841	—	5,841
Reportable segment revenue	421,725	3,570	2,271	4,114	—	431,680	62,743	494,423
Segment result	6,615	842	10,061	527	77	18,122	25,311	43,433
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								41,057

(c) The following is an analysis of the Group's assets and liabilities by reportable segments:

	Continuing operations					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	
At 30 June 2020 (unaudited)						
Segment assets	<u>767,683</u>	<u>46,860</u>	<u>201,285</u>	<u>45,565</u>	<u>219,538</u>	<u>1,280,931</u>
Reconciliation:						
Corporate and other unallocated assets						<u>155,915</u>
Total assets						<u>1,436,846</u>
Segment liabilities	<u>614,924</u>	<u>7,626</u>	<u>38,517</u>	<u>298</u>	<u>—</u>	<u>661,365</u>
Reconciliation:						
Deferred tax liabilities						<u>22,635</u>
Bonds						<u>189,921</u>
Corporate and other unallocated liabilities						<u>78,399</u>
Total liabilities						<u>952,320</u>
	Continuing operations					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	
At 31 December 2019 (audited)						
Segment assets	<u>390,657</u>	<u>76,284</u>	<u>194,968</u>	<u>60,142</u>	<u>238,966</u>	<u>961,017</u>
Reconciliation:						
Corporate and other unallocated assets						<u>111,096</u>
Total assets						<u>1,072,113</u>
Segment liabilities	<u>234,370</u>	<u>8,643</u>	<u>41,123</u>	<u>111</u>	<u>—</u>	<u>284,247</u>
Reconciliation:						
Deferred tax liabilities						<u>20,638</u>
Bonds						<u>189,572</u>
Corporate and other unallocated liabilities						<u>83,195</u>
Total liabilities						<u>577,652</u>

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 period from 1 January to 31 May 2019 are analysed below.

Results of discontinued operation

	1 January to 31 May 2019 HKD'000 (audited)
Revenue	62,743
Direct costs and operating expenses	(65,521)
Other revenue	1,315
Other net gains	259
Administrative expenses	(6,515)
Selling expenses	(1,279)
	<hr/>
Loss from operations	(8,998)
Finance costs	(1,092)
	<hr/>
Loss before taxation	(10,090)
Income tax expense	(2,764)
	<hr/>
Results from operating activities, net of tax	(12,854)
Gain on sales of discontinued operation	35,884
	<hr/>
Profit from discontinued operation for the period, net of tax	<u><u>23,030</u></u>

The net cash inflows incurred by discontinued operation

	1 January to 31 May 2019 <i>HKD'000</i> (audited)
Net cash used in operating activities	(17,714)
Net cash generated from investing activities	74
Net cash generated from financing activities	18,032
	<hr/>
Net cash inflows	392
	<hr/> <hr/>

Disposal of subsidiaries

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

	<i>HKD'000</i> (audited)
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 Colour Group**”) at a cash consideration of HKD2,000,000 to the purchaser. The principal activities of Ample Colour Group are investment holding 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 Colour Group and its subsidiaries disposed of is as follows:

	<i>HKD'000</i> (audited)
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 GAINS/(LOSSES)

	Six months ended 30 June	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Other revenue		
Dividend income	5,148	5,272
Interest income	322	199
Interest income from supply chain financing agreement	1,923	—
Handling fee income from supply chain financing agreement	1,517	—
Other income	3	—
	<u>8,913</u>	<u>5,471</u>
Other net gains/(losses)		
Exchange gain, net	2	—
Loss on disposal of property, plant and equipment	(8)	—
Gain on disposal of subsidiaries (see Note 4(b))	—	758
Loss on deemed disposal of an associate (see Note 13)	—	(1,411)
Loss on finance lease receivables	(628)	—
Fair value change of financial assets at fair value through profit or loss	970	77
	<u>336</u>	<u>(576)</u>

6. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
	(unaudited)	(unaudited)
Profit from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	1,059	1,042
Depreciation on right-of-use assets	824	—
	<u>1,883</u>	<u>1,042</u>

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE

	Six months ended	
	30 June	
	2020	2019
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Current tax		
— Hong Kong	29	51
— The People's Republic of China (the "PRC")	5,152	1,559
	5,181	1,610
Deferred tax		
— Hong Kong	(21)	15
— The PRC	2,425	2,027
	2,404	2,042
Income tax expense	7,585	3,652

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2020 and 30 June 2019.

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 2020 and 30 June 2019.

9. EARNINGS PER SHARE

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

	Six months ended	
	30 June	
	2020	2019
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to equity shareholders of the Company		
— From continuing operations	16,880	18,027
— From discontinued operation	—	23,030
	16,880	41,057
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	2,900,000	2,900,000

Basic earnings per share 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 2020 (six months ended 30 June 2019: nil).

11. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for its PRC offices, and therefore recognised the additions to right-of-use assets of HKD6,024,000 (six months ended 30 June 2019: nil).

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

As disclosed in Note 2, the Group has early adopted the Amendment to HKFRS 16, Leases, COVID-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment.

During the six months ended 30 June 2020, the Group did not receive any rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures due to the spread of COVID-19. Therefore, the Amendment has no impact on the Group during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a cost of HKD22,000 (six months ended 30 June 2019: HKD34,000). Items of furniture, fixtures and equipment with a net book value of HKD8,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: nil), resulting in a loss on disposal of HKD8,000 (six months ended 30 June 2019: nil).

12. INVESTMENT PROPERTIES

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
At the beginning of the period/year	191,056	186,683
Exchange realignment	(3,695)	(3,580)
Fair value gain	9,698	7,953
	<hr/>	<hr/>
At the end of the period/year	197,059	191,056

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 2020, the Group's investment properties with an aggregate carrying amount of HKD197,059,000 (31 December 2019: HKD191,056,000), were pledged to a bank for bank loans and bank facilities granted to the Group (Note 21).

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 2020 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 2019: 深圳市國正信資產評估土地房地產估價有限公司), an independent qualified professional valuer not connected with the Group.

The valuation of the Group's investment properties at 30 June 2020 and 31 December 2019 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.

13. INVESTMENT IN AN ASSOCIATE

	<i>HKD'000</i>
Share of net assets other than goodwill	135,466
Goodwill	36,443
Loss on deemed disposal of an associate	(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	(170,682)
	<hr/>
At 30 June 2019 (unaudited) and 31 December 2019 (audited)	<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 Islands with limited liability and principally engaged in investment holding and its subsidiaries are engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC.

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

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 HKD170,682,000. The deemed disposal has resulted in the recognition of a loss of HKD1,411,000 on deemed disposal in the profit or loss for the six months ended 30 June 2019.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Listed equity securities in Hong Kong	43,768	63,548
— Unlisted equity securities in Hong Kong	175,423	175,112
	<u>219,191</u>	<u>238,660</u>

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.

Remark:

The unlisted equity securities are shares held in Golden Affluent with 13,921,278 (31 December 2019: 13,921,278) ordinary shares, which is valued by an independent professional valuer. The Group re-designated its investment in Golden Affluent at FVOCI (non-recycling) as the investment is held for strategic purposes.

15. FINANCE LEASE RECEIVABLES

	At 30 June 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
Non-current finance lease receivables	28,490	44,894
Current finance lease receivables	15,298	30,942
	<u>43,788</u>	<u>75,836</u>
Less: Expected credit loss allowance	(676)	(961)
	<u>43,112</u>	<u>74,875</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 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)	At 30 June 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
Within 1 year	21,335	41,209	15,298	30,942
After 1 year but within 2 years	18,794	33,069	17,719	31,919
After 2 years but within 5 years	6,090	13,773	10,771	12,975
	<u>46,219</u>	<u>88,051</u>	<u>43,788</u>	<u>75,836</u>
Less: Unearned interest income	(2,431)	(12,215)	—	—
Present value of minimum lease payments receivable	<u>43,788</u>	<u>75,836</u>	<u>43,788</u>	<u>75,836</u>

Certain motor vehicles and machineries are leased out under finance leases with lease terms of 24 to 48 months (31 December 2019: 24 to 48 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 6.2% to 12% (31 December 2019: 6.2% to 12%) 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 2020 and 31 December 2019 are neither past due nor impaired.

16. TRADE RECEIVABLES

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 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
Within 1 month	228,271	228,818
1 to 3 months	82,503	103,066
3 to 12 months	54,007	1,884
Over 12 months	98	168
	<u>364,879</u>	<u>333,936</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 10% to 18% per annum and repayable within 1 year (31 December 2019: interest ranging from 8% to 12% per annum and repayable within 1 year).

As at 30 June 2020, loan receivables of HKD41,026,000 (31 December 2019: HKD14,995,000) were secured by the charges on certain shares of a company listed on the Main Board of the Stock Exchange held by the borrower.

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

	At 30 June 2020 <i>HKD’000</i> (unaudited)	At 31 December 2019 <i>HKD’000</i> (audited)
Held for trading investments at fair value		
— Listed equity securities in Hong Kong	135	243
— Structured deposits	247,716	—
	<u>247,851</u>	<u>243</u>

As at 30 June 2020, the Group placed principal-guaranteed structured deposits in reputable banks in the PRC amounting to RMB225,000,000 (equivalent to HKD246,645,000) (31 December 2019: nil). The structured deposits of RMB50,000,000 (equivalent to HKD54,810,000) are with term of 365 days, the expected annual rates of returns include fixed rates ranging from 1.5% to 1.8% and floating rates for each deposit ranged from 0% to 2% which are indexed to the price of gold in Shanghai Gold Market and USD 3-month London Interbank Offered Rate. The remaining structured deposits of RMB175,000,000 (equivalent to HKD191,835,000) are with term of 364-365 days and the expected annual rates of returns are floating rate ranging from 1% to 3.6% which are indexed to a number of foreign exchanges’ rates. All of the structured deposits are pledged to the respective banks to secure certain bills payables made available to the Group.

19. TRADE AND BILLS PAYABLES

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

	At 30 June 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
Within 1 month	145,212	50,033
1 to 3 months	236,229	12,452
3 to 12 months	29,003	2,656
Over 12 months	114	160
	<u>410,558</u>	<u>65,301</u>

As at 30 June 2020, the Group has HKD357,518,000 (31 December 2019: nil) bills payables in which amount of HKD60,291,000 (31 December 2019: nil) are secured by corporate guarantee from the Company and investment properties of the Group, amount of HKD250,913,000 (31 December 2019: nil) and HKD46,314,000 (31 December 2019: nil) are secured by structured deposits and pledged bank deposits respectively.

20. BONDS

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Bonds carried at fixed coupon rate of 7% to 7.5% per annum (31 December 2019: 7% to 7.5%)	189,921	189,572

In 2018, the Company entered into a placing agreement with a placing agent, a subsidiary of an associated company of the Company, pursuant to which the Company issued a 5% coupon unlisted bond on 24 July 2018 with the principal amount of HKD100,000,000. The amount is repayable within 12 months from the date of issue, and was fully repaid in July 2019.

Subsequently, the Company entered into two other placing agreements with the placing agent, pursuant to which the Company issued 7.5% and 7% coupon unlisted bonds on 18 July 2019 and 15 October 2019 with the principal amounts of HKD100,000,000 and HKD90,000,000, respectively. These amounts are repayable within 12 months from the respective date of issue, which are 17 July 2020 and 14 October 2020, accordingly. On 31 March 2020, the Company entered into supplementary agreements to extend the maturity date of 7.5% and 7% coupon unlisted bonds to 17 January 2021 and 14 April 2021 respectively.

Transaction costs of placing commission of 4% of the principal amount of bond issued on 24 July 2018 and handling fee for issuance of bonds on 18 July 2019 and 15 October 2019 amounting to HKD700,000 are incurred and amortised over the expected life of the bonds.

21. BORROWINGS AND OVERDRAFT

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Bank loans, secured (<i>Note (a)</i>)	146,880	151,724
Bank overdraft	297	—
Other borrowings, unsecured (<i>Note (b)</i>)	71,577	50,288
Other borrowings, secured (<i>Note (b)</i>)	50,000	—
Shareholder's loan, unsecured (<i>Note (c)</i>)	—	70,000
	268,754	272,012

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 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
Within 1 year	235,597	236,082
After 1 year but within 2 years	4,377	4,321
After 2 years but within 5 years	28,780	31,609
	<hr/> 268,754	<hr/> 272,012
Less: Amount due within one year or repayable on demand classified as current liabilities	<hr/> (235,597)	<hr/> (236,082)
	<hr/> 33,157 <hr/>	<hr/> 35,930 <hr/>

Notes:

- (a) At 30 June 2020, bank loans of HKD109,620,000 (31 December 2019: HKD111,750,000) and HKD37,260,000 (31 December 2019: HKD39,974,000) were secured by corporate guarantee from the Company and investment properties of the Group, interest-bearing at 7% per annum (31 December 2019: 7%) and 6.37% (31 December 2019: 6.37%) per annum respectively.
- (b) Other borrowings are obtained from independent third parties. Amount of HKD71,577,000 (31 December 2019: HKD50,288,000) is unsecured, interest-bearing at 8% (31 December 2019: 8%) per annum and repayable within 5 months (31 December 2019: 6 months). Amounts of HKD6,000,000 (31 December 2019: nil) and HKD44,000,000 (31 December 2019: nil) are secured by certain shares with carrying amount of approximately HKD16,608,000 (31 December 2019: nil) in financial assets at fair value through other comprehensive income and a leasehold property in property, plant and equipment of the Group respectively, both amounts were also secured by corporate guarantee from the Company, interest-bearing at 10% (31 December 2019: nil) per annum and repayable within 6 months (31 December 2019: nil).
- (c) The loan was from an Executive Director of the Company who is also one of the substantial shareholders and was unsecured, interest-free and repayable on demand.

22. PLEDGE OF ASSETS

At 30 June 2020, the Group has the following charge on assets:

- (i) The investment properties of the Group with carrying amount of approximately HKD197,059,000 (31 December 2019: approximately HKD191,056,000) have been pledged to secure bank loans (Note 21) granted to the Group and pledged to secure for bank facilities.
- (ii) The leasehold property in property, plant and equipment of the Group with carrying amount of approximately HKD68,307,000 (31 December 2019: nil) were pledged to a third party to secure for parts of the other borrowings.
- (iii) Financial assets at fair value through other comprehensive income with carrying amount of approximately HKD16,608,000 (31 December 2019: nil) were pledged to a third party to secure for parts of the other borrowings.
- (iv) The structured deposits and pledged bank deposits of the Group entered with financial institutions during the period with carrying amount of approximately HKD247,716,000 (31 December 2019: nil) and HKD43,848,000 (31 December 2019: nil) respectively, were pledged as guarantee deposits for bills payables to suppliers to the Group.

23. 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	
	2020	2019
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,465	2,705
Contributions to defined contribution retirement plan	77	102
	2,542	2,807

(b) Other related party transactions

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

Related parties	Nature of transactions	Six months ended 30 June	
		2020 <i>HKD'000</i> (unaudited)	2019 <i>HKD'000</i> (unaudited)
Companies in which Mr. Cheng, a director of a former subsidiary of the Company, has interests or significant influence	Sales of goods	—	499
	Rental and other income received	—	139
	License fee paid	—	376
	Rental expenses paid	—	1,600
		<u> </u>	<u> </u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the principal activities of Pak Tak International Limited (the “**Company**”) and its subsidiaries (collectively, 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 in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “**Money Lending Business**”) and (v) securities investment (the “**Securities Investment**”).

BUSINESS REVIEW

Supply Chain Business

During the six months ended 30 June 2020, the Supply Chain Business recorded a revenue of HKD1,155.5 million, an increase of HKD733.8 million as compared with the corresponding period in 2019. During the first half of 2020, as the Supply Chain Business continued to expand, the Group actively strengthened its financial resources and working capital base through the issuance of unlisted bond and the banking facilities. The increase in Supply Chain Business’s revenue was mainly due to the provision of credit terms services to the customers as its new business strategy in the second half of 2019. Its customers include major non-ferrous metals mining and production companies and integrated infrastructure companies in PRC. The Supply Chain Business continues to focus on the sourcing and distribution of non-ferrous metals and construction materials, and in order to broaden the income stream and the business opportunity, the Supply Chain Business has begun to deliver the supply chain financing services to the customers.

Leasing Business

The Leasing Business is operated through direct lease or sale-and-leaseback arrangement. As at 30 June 2020, the aggregate finance lease receivables were HKD43.1 million and recognised revenue of HKD4.0 million was recognised for the six months ended 30 June 2020. As at the date of this announcement, all the finance lease receivables as at 30 June 2020 have been collected and received on time. The Group will continue to adopt the prudent approach in the Leasing Business to minimise its credit and business risks.

Property Investment

During the six months ended 30 June 2020, the investment properties located in Yunfu, PRC recorded a revenue of rental income of HKD1.9 million. As at 30 June 2020, the fair value of the above investment properties amounted to HK\$197.1 million, representing a fair value gain of HKD9.7 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 2020, loans receivables of the Money Lending Business amounted to HKD41.0 million, which are repayable within a year, and recognised loan interest income and handling fee income of HKD2.5 million and HKD0.7 million respectively for the six months ended 30 June 2020. The rate of return of the Money Lending Business is in the range of 10% to 18%. All the loan receivables are repayable according to the repayment schedules. In order to ensure healthy development for Money Lending Business, the Group will continue to adopt a prudent risk management policy, and also will carry out the regular review of credit risk over the existing borrowers.

Securities Investment

The Group conducts securities investment activities including investments in listed and unlisted equity 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.

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 2020, the Group recorded a total revenue of HKD1,164.6 million, representing an increase of 169.8% as compared with that of the six months ended 30 June 2019 of HKD431.7 million. Such increase was mainly attributable to the revenue generated in Supply Chain Business of HKD1,155.5 million as compared with HKD421.7 million for the six months ended 30 June 2019.

The total revenue from Money Lending Business, Securities Investment, Leasing Business, and Property Investment amounted to approximately HKD9.1 million as compared with that of the six months ended 30 June 2019 of HKD10.0 million.

Expenses

The Group's direct costs and operating expenses significantly increased by HKD718.1 million from HKD413.2 million for the six months ended 30 June 2019 to HKD1,131.3 million for the six months ended 30 June 2020. The increase in direct costs and operating expenses was mainly due to the significant growth in Supply Chain Business whereas the revenue from Supply Chain Business accounted for 99.2% of the Group's total revenue.

The Group's administrative expenses slightly increased by HKD0.9 million from HKD11.5 million for the six months ended 30 June 2019 to HKD12.4 million for the six months ended 30 June 2020.

The Group's finance cost from continuing operations increased by HKD9.1 million from HKD6.2 million for the six months ended 30 June 2019 to HKD15.3 million for the six months ended 30 June 2020. The increase in finance cost was mainly due to the rising of interest expense for the unlisted bonds for the six months ended 30 June 2020.

Profit for the period

For the six months ended 30 June 2020, the Group recorded a net profit of approximately HKD16.9 million as compared to a net profit of approximately HKD41.1 million for the six months ended 30 June 2019, such decrease of net profit was mainly due to (i) the absence of a one-off gain arising from the disposal of the discontinued operation of HKD23.0 million, (ii) the absence of the share of profit of an associate of HKD7.9 million in the current period and (iii) the increase in finance cost and income tax expense during the current period.

Other receivables, prepayments and deposits

As at 30 June 2020, the Group's other receivables, prepayments and deposits significantly increased by HKD117.4 million from HKD41.5 million as at 31 December 2019 to HKD158.9 million. Such increase was mainly due to the trade deposits in the amount of RMB84.0 million (equivalent to HKD92.0 million) paid for purchasing non-ferrous metals.

Financial assets at fair value through profit or loss

As at 30 June 2020, the Group's financial assets at fair value through profit or loss significantly increased by HKD247.6 million from HKD0.2 million as at 31 December 2019 to HKD247.8 million. Such increase was mainly due to the subscription of structured deposits in the amount of RMB225.0 million (equivalent to HKD246.6 million) in the current period.

Trade and bills payables

As at 30 June 2020, the Group's trade and bills payable significantly increased by HKD345.3 million from HKD65.3 million as at 31 December 2019 to HKD410.6 million. Such increase was in line with the development of the Supply Chain Business in current period.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the cash and cash equivalents (excluding bank overdrafts) of the Group were HKD47.1 million (31 December 2019: HKD105.0 million) and pledged bank deposits was HKD43.8 million (31 December 2019: nil). Interest-bearing borrowings, including the unlisted bonds, the borrowings and overdraft were HKD458.7 million (31 December 2019: HKD461.6 million). The following table details the cash and cash equivalents, the pledged bank deposits, the bonds and the borrowings and overdraft of the Group at the end of the reporting period denominated in original currencies:

	At 30 June 2020	
	<i>HKD</i> (<i>'000</i>)	<i>RMB</i> (<i>'000</i>)
Cash and cash equivalents	12,291	31,636
Pledged bank deposits	—	40,000
Bonds	189,921	—
Borrowings and overdraft	50,297	199,286
	At 31 December 2019	
	<i>HKD</i> (<i>'000</i>)	<i>RMB</i> (<i>'000</i>)
Cash and cash equivalents	56,370	43,547
Pledged bank deposit	—	—
Bonds	189,572	—
Borrowings and overdraft	70,000	180,771

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 30 June 2020, the gearing ratio, which is calculated on the basis of total borrowings over total shareholders' fund of the Group, was 94.7% (31 December 2019: 93.4%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.03 (31 December 2019: 1.01). The liquidity ratio is stable in comparison to 31 December 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, while the Group's operations in the PRC are primarily conducted in Renminbi, and 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 bills payables, bonds, borrowings and overdrafts, which was 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.

PLEDGES ON GROUP ASSETS

As at 30 June 2020, certain of the Group's investment properties located in Yunfu, PRC with net carrying amount of approximately HKD197.1 million (31 December 2019: approximately HKD191.1 million) were pledged to secure the banking facilities of the Group. Meanwhile, the Group's leasehold property held for own-use located in Hong Kong with carrying amount of approximately HKD68.3 million (31 December 2019: nil) and certain of the Group's listed securities investment in Hong Kong with approximately HKD16.6 million (31 December 2019: nil) were pledged to secure the borrowings of the Group. In addition, The Group's pledged bank deposits and structured deposits with carrying amount of approximately HKD43.8 million (31 December 2019: nil) and HKD247.7 million (31 December 2019: nil) were also pledged as guarantee deposits for bills payables.

FINANCIAL GUARANTEES PROVIDED

As at 30 June 2020, the Company had provided corporate guarantees amounting to HKD230.9 million (31 December 2019: HKD168.7 million) in favour of certain banks and lenders in connection with facilities granted to certain subsidiaries of the Group.

CAPITAL EXPENDITURES AND COMMITMENTS

During the period under review, the Group invested HKD22,000 (31 December 2019: HKD3.0 million) on properties, plant and equipment, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 30 June 2020 and 31 December 2019, the Group had no capital commitments. As at 30 June 2020, the Group had no future plans for material investments or capital assets.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2020, the significant investments held by the Group are as follows:

	30 June 2020 HKD'000	31 December 2019 HKD'000
Financial assets at fair value		
through other comprehensive income	219,191	238,660
Financial assets at fair value through profit or loss	247,851	243
	<hr/>	<hr/>
	467,042	238,903
	<hr/> <hr/>	<hr/> <hr/>

Save as disclosed above, there were no significant investments held by the Group for the six months ended 30 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the six months ended 30 June 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of approximately 50 employees (30 June 2019: approximately 40 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 2020 (30 June 2019: 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 2020, the Group will put the effort to enhance the performance in Supply Chain Business as our core business by improving the efficiency on utilisation of the Group's resources for the sourcing and distribution of non-ferrous metals and construction materials. Meanwhile, the Group will continue to explore and develop the supply chain finance service which is expected to be beneficial to the Supply Chain Business. For the Leasing Business, due to the impact of the COVID-19, the projects from the potential customers were delayed and the performance in the Leasing Business was being affected. The management will keep watch on the actual conditions and maintain the stable and healthy development of the Leasing Business.

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

According to the current situation, the outbreak of COVID-19 will continue to affect the business operations in PRC. Although the situation was gradually under control and the economy was resumed in the second quarter of year 2020, the future economy in PRC will still be full of challenges for a certain period. Moreover, with the uncertainty of the ongoing United States-China trade argument and the unstable political environment, the management will closely monitor those circumstances and will keep exercising prudence to safeguard the resources and achieve a stable growth of the Group.

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 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, 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 members 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 Company 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 the directorship of the Company.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Chan Kin Sang and Mr. Zheng Suijun, being Independent Non-executive Director, were unable to attend the annual general meeting on 21 June 2020 (the “**AGM**”) due to other pre-arranged business commitments and the circumstance under the COVID-19 outbreak, respectively.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Mr. Wang was unable to attend the AGM due to the circumstance under the COVID-19 outbreak. Mr. Wang will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Wang had entrusted Mr. Shin Yick, Fabian, being Non-executive Director, to respond to shareholders’ concerns (if any) on behalf of him at the AGM.

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 2020.

AUDIT COMMITTEE

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

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

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

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

Hong Kong, 28 August 2020

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. Chan Ngai Sang Kenny, Mr. Chan Kin Sang and Mr. Zheng Suijun as Independent Non-executive Directors.