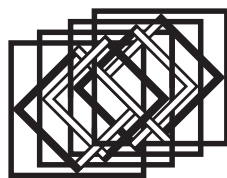


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## PAK TAK INTERNATIONAL LIMITED

(百德國際有限公司)\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2668)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Pak Tak International Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 together with the audited comparative figures for the year ended 31 December 2019 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2020*

		2020	2019
	<i>Note</i>	<i>HKD'000</i>	<i>HKD'000</i>
<b>Continuing Operations</b>			
<b>Revenue</b>	2	<b>2,995,163</b>	1,466,328
Other revenue	4	<b>15,003</b>	12,094
Other net gains/(losses)	4	<b>5,357</b>	(620)
Fair value gain on investment properties		<b>16,671</b>	7,953
Direct costs and operating expenses		<b>(2,922,968)</b>	(1,411,507)
Administrative expenses		<b>(38,349)</b>	(26,933)
<b>Profit from operations</b>		<b>70,877</b>	47,315
Finance costs	5(a)	<b>(36,991)</b>	(13,714)
Share of results of an associate		<b>—</b>	7,939

*\* for identification purpose only*

		<b>2020</b>	2019
	<i>Note</i>	<b><i>HKD'000</i></b>	<i>HKD'000</i>
<b>Profit before taxation</b>	5	<b>33,886</b>	41,540
Income tax expense	6	<b>(12,602)</b>	(10,059)
<b>Profit from continuing operations</b>		<b>21,284</b>	31,481
<b>Discontinued operation</b>			
Profit for the year			
from discontinued operation	3(a)	—	23,030
<b>Profit for the year</b>		<b>21,284</b>	54,511
<b>Attributable to equity shareholders of the Company:</b>			
— from continuing operations		<b>21,284</b>	31,481
— from discontinued operation	3(a)	—	23,030
		<b>21,284</b>	54,511
<b>Attributable to non-controlling interests:</b>			
— from continuing operations		—	—
— from discontinued operation	3(a)	—	—
		—	—
		<b>21,284</b>	54,511
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>Earnings per share</b>	7		
From continuing and discontinued operations			
— Basic and diluted		<b>0.73</b>	1.88
From continuing operations			
— Basic and diluted		<b>0.73</b>	1.09

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

*For the year ended 31 December 2020*

	<b>2020</b>	2019
	<b><i>HKD'000</i></b>	<i>HKD'000</i>
<b>Profit for the year</b>	<b>21,284</b>	54,511
<b>Other comprehensive income/(loss) for the year:</b>		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<b>27,382</b>	(4,317)
— Release of exchange reserve upon disposal of subsidiaries	—	4,078
— Release of exchange reserve upon deemed disposal of an associate	—	184
Items that will not be reclassified subsequently to profit or loss:		
— Loss on fair value changes of financial assets at fair value through other comprehensive income, net of nil tax	<b>(12,338)</b>	(17,790)
<b>Total comprehensive income for the year</b>	<b>36,328</b>	36,666
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>36,328</b>	36,666
Non-controlling interests	—	—
	<b>36,328</b>	36,666

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2020*

		<b>2020</b>	2019
	<i>Note</i>	<b><i>HKD'000</i></b>	<i>HKD'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>67,779</b>	69,860
Right-of-use assets		<b>4,354</b>	—
Investment properties	<i>10</i>	<b>221,443</b>	191,056
Financial assets at fair value through other comprehensive income	<i>11</i>	<b>221,489</b>	238,660
Finance lease receivables	<i>12</i>	<b>26,509</b>	44,327
		<hr/>	<hr/>
		<b>541,574</b>	543,903
<b>Current assets</b>			
Inventories		—	1,961
Trade and other receivables	<i>13</i>	<b>818,306</b>	375,429
Loan receivables	<i>14</i>	<b>40,526</b>	14,995
Current portion of finance lease receivables	<i>12</i>	<b>19,060</b>	30,548
Financial assets at fair value through profit or loss	<i>15</i>	<b>274,005</b>	243
Pledged bank deposits		<b>47,676</b>	—
Cash and cash equivalents		<b>118,630</b>	105,034
		<hr/>	<hr/>
		<b>1,318,203</b>	528,210
<b>Current liabilities</b>			
Trade and bills payables	<i>16</i>	<b>544,869</b>	65,301
Other payables, accrued charges and deferred income		<b>53,877</b>	20,031
Contract liabilities		<b>30,729</b>	3,756
Bonds	<i>17</i>	<b>189,927</b>	189,572
Borrowings	<i>18</i>	<b>437,622</b>	236,082
Lease liabilities		<b>2,071</b>	—
Tax payable		<b>7,334</b>	6,342
		<hr/>	<hr/>
		<b>1,266,429</b>	521,084
<b>Net current assets</b>		<hr/>	<hr/>
		<b>51,774</b>	7,126
<b>Total assets less current liabilities</b>		<hr/>	<hr/>
		<b>593,348</b>	551,029

		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b><i>HKD'000</i></b>	<b><i>HKD'000</i></b>
<b>Non-current liabilities</b>			
Borrowings	18	<b>33,714</b>	35,930
Lease liabilities		<b>2,443</b>	—
Deferred tax liabilities		<b>26,402</b>	20,638
		<hr/>	<hr/>
		<b>62,559</b>	56,568
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>530,789</b>	494,461
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>58,000</b>	58,000
Reserves		<b>472,787</b>	436,459
		<hr/>	<hr/>
Equity attributable to equity shareholders of the Company		<b>530,787</b>	494,459
Non-controlling interests		<b>2</b>	2
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>530,789</b>	494,461
		<hr/>	<hr/>

## 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountant (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group as follows:

- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions which 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 directors of the Company do not anticipate that the adoption of the amended HKFRSs will have a material impact on the consolidated financial statements for the current and prior periods and the related disclosures.

## 2. REVENUE

Revenue represents the amounts received and receivable for goods sold, consultancy fee income loan interest income and handling fee income from money lending business, finance lease income from leasing business and rental income from property investment during the year, net of discounts and related value added tax or other taxes, and is analysed as follows:

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
— Consultancy fee income	—	11,963
— Sales of goods	2,975,532	1,433,446
	<u>2,975,532</u>	<u>1,445,409</u>
<b>Revenue from other sources</b>		
Finance lease income	8,698	8,460
Gross rentals from investment properties		
— Lease payment that are fixed	4,627	4,895
Loan interest income	5,626	4,314
Loan handling fee income	680	3,250
	<u>19,631</u>	<u>20,919</u>
	<u><b>2,995,163</b></u>	<u><b>1,466,328</b></u>

The Group will recognise the expected revenue from property investment and finance leases in future when or as the service is provided to the customers (see Note 10 and Note 12), which is expected to occur over the next 12 to 48 months (2019: next 12 to 48 months).

### 3. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

- (a) On 31 May 2019, the Group entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with a purchaser pursuant to which the Group has agreed to dispose of the entire equity interest in Mega Grade Holdings Limited and its subsidiaries (the “**Mega Grade Group**”) involving in manufacturing and trading of garments business for a cash consideration of RMB10,000 (equivalent to HKD11,364) to the purchaser (the “**Disposal**”). Completion of the Disposal under the Equity 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 result from the discontinued manufacturing and trading of garments for the preceding period is analysed below.

#### Results of discontinued operation

	Period from 1 January to 31 May 2019 <i>HKD'000</i>
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 flows incurred by discontinued operation**

Period from  
1 January to  
31 May 2019  
*HKD'000*

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:

*HKD'000*

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
Less: 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/>
Outflow 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 its entire interest in 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 holdings and engaged in the provision of administrative service to the group companies. 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>
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/>
Consideration received:	
Cash received	2,000
Less: net assets disposed of	(1,242)
	<hr/>
Gain on disposal of subsidiaries	758
	<hr/> <hr/>
Inflow 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/>

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

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
<b>Other revenue</b>		
Dividend income	5,148	10,279
Interest income	1,317	327
Interest income from supply chain financing arrangements	6,181	1,349
Handling fee income from supply chain financing arrangements	1,905	139
Government grants ( <i>Note</i> )	441	—
Sundry income	11	—
	<u>15,003</u>	<u>12,094</u>
<b>Other net gains/(losses)</b>		
Gain on disposal of subsidiaries ( <i>see Note 3(b)</i> )	—	758
Loss on deemed disposal of an associate	—	(1,411)
Written-off of property, plant and equipment	(10)	—
Fair value changes of financial assets at fair value through profit or loss ( <i>see Note 15</i> )	5,262	33
Other	105	—
	<u>5,357</u>	<u>(620)</u>

*Note:*

In 2020, an indirect wholly-owned subsidiary of the Company successfully applied for funding support from the Employment Support Scheme under the COVID-19 Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, it is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the submitted and approved list of employees.

## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
<b>(a) Finance costs:</b>		
Interest on bonds	13,876	7,548
Interest on borrowings	22,372	3,658
Interest on lease liabilities	388	—
Commission paid for issuance of bond	—	2,236
Handling fee for issuance of bonds	355	272
	<u>36,991</u>	<u>13,714</u>
<b>(b) Staff costs (including directors' remuneration):</b>		
Salaries, wages, bonus and allowances	20,163	13,145
Contributions to defined contribution retirement plans	736	1,146
Staff welfare and benefits	558	451
	<u>21,457</u>	<u>14,742</u>
<b>(c) Other items:</b>		
Auditor's remuneration	1,115	1,121
Cost of inventories sold	2,922,968	1,411,507
Depreciation on property, plant and equipment	2,109	2,108
Depreciation on right-of-use assets	1,809	—
Expected credit loss allowance on receivables	2,129	1,756
	<u>2,929,136</u>	<u>1,415,432</u>

## 6. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
<b>Current tax</b>		
— Hong Kong Profits Tax	—	150
— (Over)/under-provision in respect of prior years	(304)	16
— The PRC Enterprises Income Tax	8,766	7,901
	<u>8,462</u>	<u>8,067</u>
<b>Deferred tax</b>		
— Hong Kong	(28)	—
— The PRC	4,168	1,992
	<u>4,140</u>	<u>1,992</u>
Income tax expense	<u><u>12,602</u></u>	<u><u>10,059</u></u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

The provision for Hong Kong Profits Tax for 2020 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2019/20 subject to a maximum reduction of HKD20,000 for each business (2019: a maximum reduction of HKD20,000 was granted for the year of assessment 2018/19 and was taken into account in calculating the provision for 2019).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

- (b) Reconciliation between the income tax expense and accounting profit at the applicable tax rates:

	<b>2020</b> <b><i>HKD'000</i></b>	2019 <i>HKD'000</i>
Profit before taxation	<b>33,886</b>	41,540
Notional tax on profit before taxation, calculated at the rates applicable to profit in jurisdictions concerned	<b>10,274</b>	9,255
Tax effect of share of results of an associate	—	(1,310)
Tax effect of expenses not deductible for tax purposes	<b>4,806</b>	2,386
Tax effect of income not taxable	<b>(6,597)</b>	(1,690)
Tax effect of utilisation of tax losses previously not recognised	—	(442)
Tax effect of tax losses not recognised	<b>292</b>	—
(Over)/under-provision in prior years	<b>(304)</b>	16
Tax effect of temporary difference not recognised	<b>4,131</b>	1,990
Others	—	(146)
Income tax expense	<b>12,602</b>	10,059

## 7. EARNINGS PER SHARE

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 year.

	2020 <i>HKD '000</i>	2019 <i>HKD '000</i>
<b>Earnings</b>		
Profit attributable to equity shareholders of the Company		
— From continued operations	21,284	31,481
— From discontinued operation	—	23,030
	<u>21,284</u>	<u>54,511</u>
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	<u>2,900,000</u>	<u>2,900,000</u>

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

## 8. 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 as described in Note 3(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 consolidated financial statements.

**(a) Operating segment**

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

Year ended 31 December 2020	Supply chain business HKD '000	Leasing business HKD '000	Property investment and consultancy HKD '000	Money lending business HKD '000	Securities investment HKD '000	Total HKD '000
Continuing operations						
Disaggregated by timing of revenue recognition						
Point in time	2,975,532	1,591	—	680	—	2,977,803
Over time	—	7,107	4,627	5,626	—	17,360
Revenue from external customers	2,975,532	8,698	4,627	6,306	—	2,995,163
Segment result	45,090	3,881	20,633	(1,092)	(135)	68,377
Reconciliation:						
Interest income						1,317
Unallocated other net gains						95
Corporate and other unallocated expenses						(12,598)
Finance costs						(36,991)
Other revenue						13,686
Profit before taxation						33,886
Income tax expense						(12,602)
Profit for the year						21,284

	Continuing operations					Discontinued operation		
Year ended 31 December 2019	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	Total HKD '000
Disaggregated by timing of revenue recognition								
Point in time	1,445,409	—	—	3,250	—	1,448,659	62,735	1,511,394
Over time	—	8,460	4,895	4,314	—	17,669	8	17,677
Revenue from external customers	1,445,409	8,460	4,895	7,564	—	1,466,328	62,743	1,529,071
Segment result	28,517	2,694	12,057	1,807	—	45,075	23,030	68,105
Reconciliation:								
Interest income								327
Unallocated other net losses								(620)
Corporate and other unallocated expenses								(9,234)
Finance costs								(13,714)
Other revenue								11,767
Share of results of an associate								7,939
Profit before taxation								64,570
Income tax expense								(10,059)
Profit for the year								54,511



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

At 31 December 2020	Supply chain business <i>HKD'000</i>	Leasing business <i>HKD'000</i>	Property investment and consultancy <i>HKD'000</i>	Money lending business <i>HKD'000</i>	Securities investment <i>HKD'000</i>	Total <i>HKD'000</i>
<b>Segment assets</b>	<b>1,157,447</b>	<b>48,195</b>	<b>225,395</b>	<b>52,641</b>	<b>226,899</b>	<b>1,710,577</b>
Reconciliation:						
Corporate and other unallocated assets						149,200
Total assets						<b>1,859,777</b>
<b>Segment liabilities</b>	<b>979,567</b>	<b>11,235</b>	<b>39,455</b>	<b>2,327</b>	<b>—</b>	<b>1,032,584</b>
Reconciliation:						
Deferred tax liabilities						26,402
Bonds						189,927
Corporate and other unallocated liabilities						80,075
Total liabilities						<b>1,328,988</b>
At 31 December 2019	Supply chain business <i>HKD'000</i>	Leasing business <i>HKD'000</i>	Property investment and consultancy <i>HKD'000</i>	Money lending business <i>HKD'000</i>	Securities investment <i>HKD'000</i>	Total <i>HKD'000</i>
<b>Segment assets</b>	<b>390,657</b>	<b>76,284</b>	<b>194,968</b>	<b>60,142</b>	<b>238,966</b>	<b>961,017</b>
Reconciliation:						
Corporate and other unallocated assets						111,096
Total assets						<b>1,072,113</b>
<b>Segment liabilities</b>	<b>234,370</b>	<b>8,643</b>	<b>41,123</b>	<b>111</b>	<b>—</b>	<b>284,247</b>
Reconciliation:						
Deferred tax liabilities						20,638
Bonds						189,572
Corporate and other unallocated liabilities						83,195
Total liabilities						<b>577,652</b>

The following is an analysis of the Group's other segment information by reportable segments:

Year ended	Continuing operations						Subtotal	Total
	Supply chain business	Leasing business	Property investment and consultancy	Money lending business	Securities investment			
31 December 2020	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Other information</b>								
Additions to non-current segment assets	3,917	1,998	—	—	—	5,915	5,915	
Depreciation	1,209	696	—	42	—	1,947	1,947	
Unallocated depreciation								1,971
								3,918
Year ended	Continuing operations						Discontinued operation	Total
	Supply chain business	Leasing business	Property investment and consultancy	Money lending business	Securities investment	Subtotal	Manufacturing and trading of garment	
31 December 2019	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Other information</b>								
Additions to non-current segment assets	20	59	—	—	—	79	2,791	2,870
Unallocated expenditure								140
								3,010
Depreciation	1	102	—	42	—	145	5,599	5,744
Unallocated depreciation								1,963
								7,707

**(b) Geographical information**

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

	<b>2020</b> <i>HKD'000</i>	<b>2019</b> <i>HKD'000</i>
The PRC	<b>2,988,857</b>	1,458,764
Hong Kong	<b>6,306</b>	7,564
	<b>2,995,163</b>	<b>1,466,328</b>

The Group's information about its non-current assets (excluding financial assets at fair value through other comprehensive income) from continuing operations by geographic location is as follows:

	<b>2020</b> <i>HKD'000</i>	<b>2019</b> <i>HKD'000</i>
The PRC	<b>252,585</b>	236,166
Hong Kong	<b>67,500</b>	69,077
	<b>320,085</b>	<b>305,243</b>

**(c) Major customers**

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	<b>2020</b> <i>HKD'000</i>	<b>2019</b> <i>HKD'000</i>
Customer A <sup>1</sup>	<b>989,810</b>	N/A
Customer B <sup>2</sup>	<b>N/A</b>	610,319

<sup>1</sup> The corresponding revenue from this customer did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

<sup>2</sup> Revenue from this customer contributed less than 10% of the total revenue of the Group for the year ended 31 December 2020.

## 9. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

## 10. INVESTMENT PROPERTIES

	2020 HKD'000	2019 HKD'000
At the beginning of the year	191,056	186,683
Exchange realignment	13,716	(3,580)
Fair value gain	16,671	7,953
	<hr/>	<hr/>
At the end of the year	221,443	191,056
	<hr/>	<hr/>

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

At 31 December 2020, the Group's investment properties with an aggregate carrying amount of HKD221,443,000 (2019: HKD191,056,000), were pledged to bank for loans granted to the Group.

### (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 31 December 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, an independent qualified professional valuer not connected with the Group. A valuation report with analysis of changes in fair value measurement has been prepared by the valuer and is reviewed and approved by management.

The fair value of the Group's investment properties situated in the PRC is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a discount specific to the quality and location of the properties compared to the recent sales, and are therefore grouped into Level 3 of fair value measurement.

There were no transfers between Level 1 and Level 2, or transfer into or out of Level 3 for both reporting periods. 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.

***Information about Level 3 fair value measurements***

	Valuation technique	Significant unobservable inputs	Range	Sensitivity
Investment properties for commercial use, situated in the PRC	Direct comparison approach	Selling price of similar properties in the nearest locality	RMB10,526/m <sup>2</sup> to RMB14,800/m <sup>2</sup> (2019: RMB9,901/m <sup>2</sup> to RMB11,364/m <sup>2</sup> )	The higher the selling price of similar properties in the nearest locality used, the higher the fair value
		Adjustment to price per square foot in relation to quality of properties (e.g. location, size, level and condition with reference to comparables)	10% - 19% (2019: 6% - 14%)	The higher the quality of properties with reference to the comparables, the higher the fair value N.B. The higher adjustment percentage, the lower price per square foot

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

	<b>2020</b> <i>HKD'000</i>	2019 <i>HKD'000</i>
At the beginning of the year	<b>191,056</b>	186,683
Exchange realignment	<b>13,716</b>	(3,580)
Fair value adjustment	<b>16,671</b>	7,953
	<hr/>	<hr/>
At the end of the year	<b>221,443</b>	191,056
	<hr/> <hr/>	<hr/> <hr/>

**(b) Assets leased out under operating lease**

The Group leases out investment properties under an operating lease. The lease runs for an initial period of 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 2 to 5 years to reflect market rentals. The lease does not include contingent rentals.

All properties held under the operating lease that would otherwise meet the definition of investment properties are classified as investment properties.

Total future minimum lease payments receivable under the non-cancellable operating lease is as follows:

	<b>2020</b> <i>HKD'000</i>	2019 <i>HKD'000</i>
Within 1 year	<b>5,764</b>	5,815
After 1 year but within 2 years	<b>3,843</b>	5,815
After 2 years but within 3 years	—	3,877
	<hr/>	<hr/>
	<b>9,607</b>	15,507
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 HKD'000	2019 HKD'000
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Listed equity securities in Hong Kong	41,366	63,548
— Unlisted equity securities in Hong Kong	180,123	175,112
	<u>221,489</u>	<u>238,660</u>

Certain listed equity securities with carrying amount of approximately HKD10,950,000 (2019: nil) are pledged to a third party to secure for other borrowings (See Note 18(b)).

The unlisted equity securities are 13,921,278 (2019: 13,921,278) ordinary shares held in Golden Affluent Limited ("Golden Affluent"). 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 Group designated its investment in Golden Affluent at FVOCI (non-recycling) as the investment is held for strategic purposes. All of the unlisted equity securities are pledged to an independent third party to secure for the bonds (see Note 17).

Changes in fair value of those 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.

## 12. FINANCE LEASE RECEIVABLES

	2020 HKD'000	2019 HKD'000
Non-current finance lease receivables	26,957	44,894
Current finance lease receivables	19,372	30,942
	<u>46,329</u>	<u>75,836</u>
Less: Expected credit loss allowance		
— Non-current portion	(448)	(567)
— Current portion	(312)	(394)
	<u>(760)</u>	<u>(961)</u>
	<u>45,569</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	
	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Within one year	<b>23,198</b>	41,209	<b>19,372</b>	30,942
After 1 year but within 2 years	<b>13,750</b>	33,069	<b>15,562</b>	31,918
After 2 years but within 3 years	<b>5,800</b>	9,366	<b>8,275</b>	9,657
After 3 years but within 4 years	<b>5,124</b>	4,407	<b>3,120</b>	3,319
	<b>47,872</b>	88,051	<b>46,329</b>	75,836
Less: Unearned interest income	<b>(1,543)</b>	(12,215)	—	—
Present value of minimum lease payments receivable	<b>46,329</b>	75,836	<b>46,329</b>	75,836

Certain motor vehicles and machineries are leased out under finance leases with lease terms of 24 to 48 months (2019: 24 to 48 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The interest rate is ranging from 6.2% to 12% (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.



### 13. TRADE AND OTHER RECEIVABLES

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Trade receivables, net of expected credit loss allowance	685,397	333,936
Other receivables, net of expected credit loss allowance	78,203	29,148
	<hr/>	<hr/>
	763,600	363,084
Deposits and prepayments	54,706	12,345
	<hr/>	<hr/>
	818,306	375,429
	<hr/> <hr/>	<hr/> <hr/>

#### Ageing analysis

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:

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Within 1 month	418,540	228,818
1 to 3 months	30,438	103,066
3 to 12 months	235,192	1,884
Over 12 months	1,227	168
	<hr/>	<hr/>
	685,397	333,936
	<hr/> <hr/>	<hr/> <hr/>

### 14. LOAN RECEIVABLES

The loan receivables from the money lending business are provided to independent third parties after credit assessment on the respective borrower, bear interest at 10% (2019: 12%) per annum and are repayable within 1 year (2019: 1 year).

As at 31 December 2020, the loan receivables amounting to HKD40,526,000 (2019: HKD14,995,000) are secured by charge over certain shares of a company listed on the Main Board of the Stock Exchange.

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Held for trading investments at fair value		
— Listed equity securities in Hong Kong	108	243
— Structured deposits	273,897	—
	<u>274,005</u>	<u>243</u>

The movements during the year in the balance as follows:

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
At the beginning of the year	243	210
Additions	253,058	—
Exchange realignment	15,442	—
Fair value adjustment	5,262	33
	<u>274,005</u>	<u>243</u>

*Note:*

During the year, the Group placed principal-guaranteed structured deposits in reputable banks in the PRC amounting to RMB225,000,000 (equivalent to HKD268,178,000) (2019: nil). The structured deposits of RMB50,000,000 (equivalent to HKD59,595,000) are with terms 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 ranging 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 HKD208,583,000) are with terms 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.

## 16. TRADE AND BILLS PAYABLES

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Trade payables	36,948	65,301
Bills payables	507,921	—
	<u>544,869</u>	<u>65,301</u>
	<b>544,869</b>	<b>65,301</b>

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

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Within 1 month	25,717	50,033
1 to 3 months	1,064	12,452
3 to 12 months	517,167	2,656
Over 12 months	921	160
	<u>544,869</u>	<u>65,301</u>
	<b>544,869</b>	<b>65,301</b>

As at 31 December 2020, the Group has HKD507,921,000 (2019: nil) bills payables in which amount of HKD184,745,000 (2019: nil) are secured by corporate guarantee from the Company and investment properties of the Group, and amount of HKD323,176,000 (2019: nil) are secured by structured deposits and pledged bank deposits respectively.

## 17. BONDS

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Bonds carried at fixed coupon rate of 7% to 7.5% (2019: 7% to 7.5%) per annum	<b>189,927</b>	189,572

After the repayment of the 5% coupon unlisted bond with the principal amount of HKD100,000,000 in July 2019, the Company entered into two other placing agreements with the placing agent, a subsidiary of Golden Affluent, 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, respectively. On 31 March 2020, the Company entered into supplemental agreements to extend the maturity date of the 7.5% and the 7% coupon unlisted bonds to 17 January 2021 and 14 April 2021 respectively. On 30 November 2020, the Company entered into second supplemental agreements to revise the maturity date of both the 7.5% and the 7% coupon unlisted bonds to 17 March 2021 which were also secured by the financial assets at FVOCI of the Group (see Note 11). On 15 March 2021, the Company entered into third supplemental agreements to extend the maturity date of both the 7.5% and the 7% coupon unlisted bonds to 25 March 2021. The bonds were subsequently fully settled by the Company on 24 March 2021.

The handling fee for issuance of bonds on 18 July 2019 and 15 October 2019 amounting HKD700,000 are incurred and amortised over the expected life of the bonds.

## 18. BORROWINGS

	2020 <i>HKD'000</i>	2019 <i>HKD'000</i>
Bank loans, secured ( <i>Note (a)</i> )	428,336	151,724
Other borrowings, secured ( <i>Note (b)</i> )	43,000	—
Other borrowings, unsecured ( <i>Note (c)</i> )	—	50,288
Shareholder's loan, unsecured ( <i>Note (d)</i> )	—	70,000
	<b>471,336</b>	272,012

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

	<b>2020</b> <b>HKD'000</b>	2019 HKD'000
Within 1 year	<b>437,622</b>	236,082
After 1 year but within 2 years	<b>4,915</b>	4,321
After 2 years but within 5 years	<b>28,799</b>	31,609
	<b>471,336</b>	272,012
Less: Amount due within one year or repayable on demand classified as current liabilities	<b>(437,622)</b>	(236,082)
	<b>33,714</b>	35,930

*Notes:*

- (a) At 31 December 2020, bank loans of HKD238,380,000 (2019: HKD111,750,000) and HKD38,322,000 (2019: HKD39,974,000) were secured by corporate guarantee from the Company and investment properties of the Group and properties from an independent third party, interest-bearing at 5.4% per annum (2019: 7%) and 6.37% (2019: 6.37%) per annum, respectively.

A general banking facility from a bank amounted to RMB150,000,000 (equivalent to approximately HKD178,785,000) (2019: nil) is secured by corporate guarantee and properties from independent third parties. The facility is utilised to the extent of RMB127,220,000 (equivalent to HKD151,634,000), interest-bearing at 6.5% per annum.

- (b) Other borrowings are obtained from independent third parties. Amounts of HKD6,000,000 (2019: nil) and HKD37,000,000 (2019: nil) are secured by certain listed shares with carrying amount of approximately HKD10,950,000 (2019: nil) in financial assets at fair value through other comprehensive income and a property of the Group respectively, both amounts were also secured by corporate guarantee from the Company, interest-bearing at 10% (2019: nil) per annum and repayable within 12 months (2019: nil).
- (c) It was unsecured, interest-bearing at 8% per annum and was repayable within 6 months. The other borrowing has been repaid during the year.
- (d) The loan was from an Executive Director of the Company who is also one of the substantial shareholders and was unsecured, interest fee and repayable on demand. The shareholder's loan has been repaid during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the year ended 31 December 2020, 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 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**”).

#### Supply Chain Business

Supply Chain Business is the core business of the Group which is treated as the focus of development. For the year ended 31 December 2020, the Supply Chain Business recorded a revenue of HKD2,975.5 million, representing a significant increase of HKD1,530.1 million as compared with the corresponding period in 2019. The Group actively strengthened its financial resources and working capital base through the debt financing. The increase in revenue of the Supply Chain Business was mainly due to the expansion in supply chain of non-ferrous metals and construction materials as well as the provision of credit terms services and supply chain financing services to the Group’s customers as its new business strategy.

Some construction projects of the Group’s customers, including the construction of residential and commercial buildings and hotel, are in the completion stage. The Group enhanced its supply chain services for ensuring the stability and timeliness of supplying the construction materials, especially premium interior decoration materials. In addition, the Group established business relationships with new customers expanded the supply chain of non-ferrous metals business, resulting in an increase in turnover. The Group’s customers include major non-ferrous metals mining and production companies and integrated infrastructure companies in the PRC. The Group will continue to strengthen the Supply Chain Business, and focus on the sourcing and distribution of non-ferrous metals and construction materials and keep expanding its customer base.

## **Leasing Business**

The Leasing Business is operated through direct lease or sale-and-leaseback arrangements. As at 31 December 2020, the aggregate finance lease receivables were HKD45.6 million and the recognised revenue of Leasing Business was HKD8.7 million for the year ended 31 December 2020. The Group's customers include in the construction, new economy, entertainment and renewable energy sectors. The Group will enhance the Leasing Business and strive to discover further potential business opportunities. The Group will continue to adopt a prudent approach in the Leasing Business to minimise its credit and business risks.

## **Property Investment**

During the year ended 31 December 2020, the investment properties located in Yunfu, PRC recorded a revenue of rental income of HKD4.6 million, of which the Group had offered rent concessions during the current year. As at 31 December 2020, the fair value of the above investment properties amounted to HKD221.4 million, representing a fair value gain of HKD16.7 million. The Group will continue to lease out the investment properties for rental income and may realise its properties investment to enhance its working capital if necessary and when timing is appropriate.

## **Money Lending Business**

As at 31 December 2020, loan receivables of the Money Lending Business amounted to HKD40.5 million which was repayable within a year, and recognised revenue of the Money Lending Business was HKD6.3 million for the year ended 31 December 2020. For the year ended 31 December 2020, all customers in Money Lending Business were corporations and all borrowings were secured. The rate of return of the Money Lending Business was at 10% – 12% for the year. In order to ensure a healthy development of the Money Lending Business, the Group will continue to adopt a prudent risk management policy, and will carry out regular review of credit risk over the existing borrowers.

## **Securities Investment**

The Group conducts securities investment activities including investments in listed securities in its ordinary and normal course of business. The Group adopts a prudent investment strategy for both 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 the Group's key financial information including but not limited to revenue, expenses and profit for the year, which reflects the financial position of the Group's business.

### **Revenue**

For the year ended 31 December 2020, the Group recorded a total revenue of HKD2,995.2 million, representing an increase of 104.3% as compared with that for the year ended 31 December 2019 of HKD1,466.3 million. Such increase was mainly attributable to the revenue generated in the Supply Chain Business of HKD2,975.5 million as compared with HKD1,445.4 million for the year ended 31 December 2019.

The total revenue from Money Lending Business, Securities Investment, Leasing Business, and Property Investment amounted to approximately HKD19.6 million as compared with that for the year ended 31 December 2019 of HKD20.9 million.

### **Expenses**

The Group's direct costs and operating expenses significantly increased by HKD1,511.5 million from HKD1,411.5 million for the year ended 31 December 2019 to HKD2,923.0 million for the year ended 31 December 2020. The increase in direct costs and operating expenses was mainly due to the significant growth in the Supply Chain Business whereas revenue from the Supply Chain Business accounted for 99.3% of the Group's total revenue.

The Group's administrative expenses increased by HKD11.4 million from HKD26.9 million for the year ended 31 December 2019 to HKD38.3 million for the year ended 31 December 2020 mainly due to the increase in staff cost.

The Group's finance cost increased by HKD23.2 million from HKD13.7 million for the year ended 31 December 2019 to HKD37.0 million for the year ended 31 December 2020. The increase in finance cost was mainly due to the rising of interest expense for bank borrowings and unlisted bonds for the year ended 31 December 2020.



## **Profit for the year**

For the year ended 31 December 2020, the Group recorded a net profit of approximately HKD21.3 million as compared to a net profit of approximately HKD54.5 million for the year ended 31 December 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 in the current year, (ii) the absence of the share of profit of an associate of HKD7.9 million in the current year and (iii) the increase in profit from operations being set-off by the increase in finance cost.

## **Trade and other receivables**

The significant increase in trade and other receivables of HKD442.9 million was primarily due to the increase in trade receivables of HKD351.5 million in relation to the development of the Supply Chain Business and different credit period was given to customers during the year. In addition, there was an increase in other receivables of HKD49.1 million represented the growth in the supply chain financing arrangements; and in the deposits and prepayments amounting to HKD54.7 million was mainly the prepayment paid to the suppliers in Supply Chain Business. The Group seeks to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by the management, which performs assessment of recoverability on a case-by-case basis.

## **Financial assets at fair value through profit or loss**

As at 31 December 2020, the Group's financial assets at fair value through profit or loss significantly increased by HKD273.8 million from HKD0.2 million as at 31 December 2019 to HKD274.0 million. Such increase was mainly due to the subscription of structured deposits in the amount of RMB225.0 million (equivalent to HKD268.2 million) in the current year.

## **Trade and bills payables**

As at 31 December 2020, the Group's trade and bills payable significantly increased by HKD479.6 million from HKD65.3 million as at 31 December 2019 to HKD544.9 million. Such increase was in line with the development of the Supply Chain Business in the current year.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the cash and cash equivalents of the Group were HKD118.6 million (2019: HKD105.0 million) and interest-bearing borrowings, including the unlisted bonds, borrowings and lease liabilities were HKD665.8 million (2019: HKD461.6 million). The following table details the cash and cash equivalents, the bonds, the borrowings and the lease liabilities of the Group as at 31 December 2020 denominated in original currencies:

	<b>As 31 December 2020</b>	
	<b>HKD</b>	<b>RMB</b>
	<b>(‘000)</b>	<b>(‘000)</b>
Cash	<b>18,517</b>	83,995
Bond	<b>189,927</b>	—
Borrowings	<b>43,000</b>	359,372
Lease liabilities	—	3,788

	<b>As 31 December 2019</b>	
	<b>HKD</b>	<b>RMB</b>
	<b>(‘000)</b>	<b>(‘000)</b>
Cash	<b>56,370</b>	43,547
Bond	<b>189,572</b>	—
Borrowings	<b>70,000</b>	180,771
Lease liabilities	—	—

The Group principally satisfies its demand for operating capital with cash inflow from its operations, unlisted bond issuance and borrowings. As at 31 December 2020, the gearing ratio, which is calculated on the basis of total debts (including interest-bearing bonds, borrowings and lease liabilities) over total shareholders’ fund of the Group, was 125.4% (2019: 93.4%). The gearing ratio rises in comparison to previous year mainly due to the increase of borrowings. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.04 (2019: 1.01). The liquidity ratio is stable in comparison to that as at 31 December 2019.

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities (2019: nil).

## **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, 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 bonds and borrowings, which, being obtained at variable rates and at fixed rates, expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

## **PLEDGES ON GROUP ASSETS**

As at 31 December 2020, the investment properties of the Group located in Yunfu, PRC with net carrying amount of HKD221.4 million (2019: HKD191.1 million) were pledged to secure bank loans and facilities of the Group.

The property and financial assets at fair value through other comprehensive income of the Group with carrying amounts of HKD67.4 million (2019: nil) and HKD11.0 million (2019: nil) respectively were pledged to a third party to secure for parts of other borrowings.

The structured deposits and pledged bank deposits of the Group entered with financial institutions during the year with carrying amount of HKD273.9 million (2019: nil) and HKD47.7 million (2019: nil) respectively were pledged as guarantee deposits for bills payables to suppliers of the Group.

The financial assets at fair value through other comprehensive income of the Group with carrying amounts of HKD180.1 million (2019: nil) were pledged to secure for the bonds.

## FINANCIAL GUARANTEES PROVIDED

As at 31 December 2020, the Company had provided corporate guarantees amounting to HKD478.0 million (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 year ended 31 December 2020, the Group invested HKD28,000 (2019: HKD3.0 million) on investment properties and properties, plant and equipment, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 31 December 2020 and 2019, the Group had no capital commitments.

## SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the significant investments held by the Group are as follows:

	<b>As 31 December 2020 HKD'000</b>	<b>As 31 December 2019 HKD'000</b>
Financial assets at fair value through other comprehensive income	<b>221,489</b>	238,660
Financial assets at fair value through profit or loss		
— Listed equity securities in Hong Kong	<b>108</b>	243
— Structured deposits	<b>273,897</b>	—
	<b>495,494</b>	238,903

Information in relation to the equity securities under the financial assets at fair value through other comprehensive income and the financial assets at fair value through profit or loss as at 31 December 2020 are set out as follows:

Stock Code	Name of investee company	Nature of investment	Number of shares held	Percentage of shareholding in such stock	Fair value as at 31 December 2020 HKD '000	Percentage to the Group's total assets as at 31 December 2020	Change in fair value for the year ended 31 December 2020 HKD '000
Financial assets at fair value through other comprehensive income							
Listed equity securities in Hong Kong:							
1282	Glory Sun Financial Group Limited ("Glory Sun")	Investment in shares	85,000,000	0.27%	28,050	1.51%	2,550
Others					13,316		(19,461)
Unlisted equity securities in Hong Kong:							
	Golden Affluent	Investment in shares	13,921,278	15.90%	180,123	9.69%	5,011
					221,489		(11,900)
Financial assets at fair value through profit or loss							
	Listed equity securities in Hong Kong				108		(135)

The principal activities of the securities are as follows:

1. Glory Sun is an investment holding company and its subsidiaries are principally engaged in the business of financial services, property investment and development, automation, securities investment, trading of commodities, yacht club and education.
2. Golden Affluent is principally engaged in investment holding and its subsidiaries are engaged in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Future Ordinance and provision of bullion services in Hong Kong and private investment management services in the PRC.

Save as disclosed above, the Group also invested in other shares listed on the Stock Exchange. Each of the fair value of these shares represented less than 1% of the total assets of the Group as at 31 December 2020.

As at 31 December 2020, the Group subscribed for structured deposit products under financial assets at fair value through profit or loss as set out in the following table:

Counterparty	Name of Structured Deposit Product	Type of product	Subscription Amount <i>RMB'000</i>	Term of Product	Expected Annualized Rate of Return	Fair value as at 31 December 2020 <i>HKD'000</i>	Percentage to the Group's total assets as at 31 December 2020	Change in fair value for the year ended 31 December 2020 <i>HKD'000</i>
Nanyang Commercial Bank (China) Limited — Shenzhen Branch	RMB structured deposit products	Principal-guaranteed with floating income	105,000	364 - 365 days	Between 1.65% - 3.60%	127,474	6.85%	2,194
Others (in different reputable banks)						146,423		3,203
						<u>273,897</u>		<u>5,397</u>

Save as disclosed above, the Group also subscribed other structured deposit products in different reputable banks. Each of the fair value of these structured deposit products represented less than 5% of the total assets of the Group as at 31 December 2020.

Save as disclosed above, there were no significant investments held by the Group for the year ended 31 December 2020.

## **MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

There was no material acquisition or disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2020.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had a total of approximately 50 employees (2019: approximately 40 employees). The total staff cost of the Group amounted to approximately HKD21.5 million for the year ended 31 December 2020, representing 0.7% 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.

## **DIVIDEND**

The Board did not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

### **Placing of New Shares Under Specific Mandate and Connected Transaction Involving Subscription of New Shares Under Specific Mandate**

On 20 January 2021, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent had conditionally agreed to procure placees, on a best effort basis to subscribe for of up to 720,000,000 new shares at the placing price of HKD0.20 per placing share (the “**Placing**”). On the same date, the Company entered into the subscription agreement with the subscriber pursuant to which the subscriber had conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 280,000,000 new shares at the subscription price of HKD0.20 per subscription share to the subscriber (the “**Subscription**”).

The Placing, the Subscription and transactions contemplated thereunder are subject to the approval by the shareholders and independent shareholders of the Company at the special general meeting on 12 March 2021, and the Listing Committee approving the Placing and the Subscription and listing on the Stock Exchange of new shares arising from the Placing and the Subscription.

On 24 March 2021, all conditions precedent to the Placing and the Subscription as set forth in the placing agreement and the subscription agreement respectively have been fulfilled. Accordingly, completion of the Placing and the Subscription took place on 24 March 2021. Details of the Placing and the Subscription was set out in the announcements of the Company dated 20 January 2021, 10 February 2021, 12 March 2021 and 24 March 2021 and the circular of the Company dated 23 February 2021 respectively.

## **FUTURE PROSPECTS**

In 2020, despite the repeated outbreaks of COVID-19 that have significantly impacted the global economy, the Supply Chain Business achieved satisfactory performance and an increase in overall profitability. Looking forward, the ongoing COVID-19 pandemic still brings uncertainties to the global economic environment. Nevertheless, with rapid implementation of contingency measures to control the spread of the epidemic in the PRC and the popularisation of COVID-19 vaccine, the Group's operating environment is expected to improve considerably.

The Supply Chain Business will continue as the Group's core business on which the Group seeks to maintain the business continuity and further improvement. Enhancing the varieties of products, strengthening the marketing efforts, and broadening the customer base will continue to be the Group's strategy. The development of the Supply Chain Business, together with the contribution from the provision of supply chain financing services, is expected to promote the Group's overall performance in the Supply Chain Business. Meanwhile, the Group will strengthen its financial resources and working capital by establishing long-term relationships with bankers and potential investors.

In the face of challenging climate of the ongoing United States-China trade war and international political instability, the management will keep a cautious and prudent approach and maintain the current scale of the Leasing Business, Property Investment, the Money Lending Business and Securities Investment for safeguarding its resources and achieving steady and 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 year ended 31 December 2020.



## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code, 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).

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, was not appointed for a specific term but is subject to retirement by rotation and reelection 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 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 Directors, were unable to attend the annual general meeting of the Company held on 21 June 2020 (the “**2020 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 2020 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 a non-executive Director, to respond to shareholders’ concerns (if any) on his behalf of him at the 2020 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 year ended 31 December 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the management of the Company and the external auditor, Baker Tilly Hong Kong Limited, the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2020 of the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The 2021 Annual General Meeting of the Company is scheduled to be held on Friday, 25 June 2021 (the “**2021 AGM**”). The register of members of the Company will be closed from Monday, 21 June 2021 to Friday, 25 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2021 AGM, all properly completed transfer of share(s) accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 June 2021.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued shares of the Company being held by the public under the Listing Rules throughout the year ended 31 December 2020 and up to the date of this announcement.

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

The Company's annual 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, 29 March 2021

*As at the date of this announcement, the Board comprises Mr. Wang Jian, Ms. Qian Pu and Mr. Ning Jie 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.*