



百德國際有限公司
Pak Tak International Limited

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



2021

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liao Nangang ^(Note 1) (*Chairman*)
Ms. Qian Pu ^(Note 2) (*Chief Executive Officer*)
Mr. Wang Jian ^(Note 3)
Mr. Ning Jie

Non-executive Directors

Mr. Law Fei Shing ^(Note 4)
Mr. Shin Yick Fabian
Mr. Liu Xiaowei ^(Note 5)

Independent Non-executive Directors

Mr. Chan Ngai Sang Kenny
Mr. Chan Kin Sang
Mr. Zheng Suijun

AUDIT COMMITTEE

Mr. Chan Ngai Sang Kenny (*Chairman*)
Mr. Chan Kin Sang
Mr. Zheng Suijun

NOMINATION COMMITTEE

Mr. Liao Nangang (*Chairman*)
Mr. Chan Ngai Sang Kenny ^(Note 6)
Mr. Chan Kin Sang
Mr. Zheng Suijun
Ms. Qian Pu

REMUNERATION COMMITTEE

Mr. Chan Kin Sang (*Chairman*)
Mr. Chan Ngai Sang Kenny
Mr. Zheng Suijun
Ms. Qian Pu

STRATEGIC COMMITTEE

Mr. Liao Nangang (*Chairman*)
Mr. Wang Jian ^(Note 3)
Ms. Qian Pu
Mr. Shin Yick Fabian

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Liao Nangang (*Chairman*)
Mr. Wang Jian ^(Note 3)
Ms. Qian Pu
Mr. Shin Yick Fabian

COMPANY SECRETARY

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Ms. Qian Pu
Mr. Sze Kat Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, 19/F
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road
North Point, Hong Kong

HONG KONG LEGAL ADVISER

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Sang Bank Limited

STOCK CODE

2668

WEBSITE

www.paktakintl.com

Note:

1. Appointed as Executive Director, Chairman of the Board, and chairman of each of the Nomination, Strategic and Investment and Fund Raising Committees on 1 April 2021.
2. Appointed as Chief Executive Officer on 1 April 2021.
3. Ceased to be Chairman of the Board, Chief Executive Officer, and member of each of Strategic Committee and Investment and Fund Raising Committee on 1 April 2021 but remains as Executive Director.
4. Resigned as Non-executive Director on 1 June 2021.
5. Appointed as Non-executive Director on 2 July 2021.
6. Ceased to be the chairman of the Nomination Committee on 1 April 2021 but remains as a member thereof.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2021, the principal activities of the 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

The Supply Chain Business, being the provision of supply chain services of non-ferrous metals and construction materials, continued to be the Group’s core business. Customers under this business include major non-ferrous metals mining and production companies and integrated infrastructure companies.

During the six months ended 30 June 2021, the Supply Chain Business recorded a revenue of HKD583.9 million, a significant decrease of HKD571.6 million as compared with the corresponding period in 2020. The significant decrease in revenue of Supply Chain Business was mainly due to the high volatility of the price of non-ferrous metals in the first half of year which had adverse effects on the upstream and downstream companies, resulting in a significant decrease in the supply chain of the non-ferrous metals. However, the Group had put more effort in the supply chain of the construction materials which yield a higher profit margin in the Supply Chain Business. The segment result of the Supply Chain Business amounted to HKD17.4 million for the six months ended 30 June 2021, representing a decrease of 17.2% as compared with the last corresponding period.

Leasing Business

The Leasing Business is operated through direct lease or sale-and-leaseback arrangements. As at 30 June 2021, the aggregate finance lease receivables were HKD37.0 million and revenue of HKD2.0 million was recognised for the six months ended 30 June 2021. As at the date of this report, all the finance lease receivables as at 30 June 2021 have been collected and received on time. The Group will continue to adopt a prudent approach in the Leasing Business to minimise its credit and business risks.

Property Investment

During the six months ended 30 June 2021, the investment properties located in Yunfu, the People’s Republic of China (the “**PRC**”) recorded rental income revenue of HKD2.8 million. As at 30 June 2021, the fair value of the above investment properties amounted to HKD238.8 million, representing a fair value gain of HKD15.3 million. The Group will continue to lease out the investment properties for rental income and 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 2021, loans receivables of the Money Lending Business amounted to HKD30.4 million, which are repayable within a year, and recognised loan interest income of HKD1.8 million for the six months ended 30 June 2021. The rate of return of the Money Lending Business is around 10% per annum. All loan receivables are repayable according to the repayment schedules of the corresponding loans. In order to ensure the healthy development of Money Lending Business, the Group will continue to adopt a prudent risk management policy, and will also carry out regular review of credit risk over existing borrowers.

Securities Investment

The Group conducts securities investment activities including investments in listed securities by subscription in initial public offerings. 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 six months ended 30 June 2021, which reflected the financial position of the Group's business.

Revenue

For the six months ended 30 June 2021, the Group recorded a total revenue of HKD590.8 million, representing a decrease of 49.3% as compared with that of the six months ended 30 June 2020 of HKD1,164.6 million. Such decrease was mainly due to the decline in revenue generated in Supply Chain Business by HKD571.6 million from HKD1,155.5 million for the six months ended 30 June 2020 to HKD583.9 million for the six months ended 30 June 2021.

The total revenue from Money Lending Business, Securities Investment, Leasing Business, and Property Investment amounted to approximately HKD7.0 million as compared with that of the six months ended 30 June 2020 of HKD9.1 million.

Expenses

The Group's direct costs and operating expenses significantly decreased by HKD567.6 million from HKD1,131.3 million for the six months ended 30 June 2020 to HKD563.7 million for the six months ended 30 June 2021. The decrease in direct costs and operating expenses was mainly due to the significant decline in the Supply Chain Business, which accounted for over 98% of the Group's total revenue for the six months ended 30 June 2021.

The Group's administrative expenses increased by HKD5.3 million from HKD12.4 million for the six months ended 30 June 2020 to HKD17.7 million for the six months ended 30 June 2021. Such increase was mainly attributable to the handling fee of loan borrowings and operating cost for providing supply chain financing arrangements.

The Group's finance cost increased by HKD10.1 million from HKD15.3 million for the six months ended 30 June 2020 to HKD25.4 million for the six months ended 30 June 2021, mainly due to the increase of interest expense for borrowings used in the Supply Chain Business during the period.

Profit for the period

For the six months ended 30 June 2021, the Group recorded a net profit of approximately HKD12.8 million as compared to a net profit of approximately HKD16.9 million for the six months ended 30 June 2020. Such decrease in net profit was primarily attributable to the increase in administrative expenses and finance cost during the current period.

Trade and other receivables

The increase in trade and other receivables of HKD189.8 million was primarily due to the increase in trade receivables of HKD121.9 million in relation to the development of the Supply Chain Business and different credit period was given to customers during the six months ended 30 June 2021. In addition, there was an increase in other receivables of HKD16.5 million representing the growth in supply chain financing arrangements, and in deposits and prepayments amounting to HKD106.2 million, the majority of which being prepayments paid to suppliers in the Supply Chain Business and the application deposit for listed shares initial public offering. The percentage of past due trade receivables was 0.1% as at 30 June 2021 (31 December 2020: 0.3%). The Group seeks to maintain strict control over its 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 30 June 2021, the Group's financial assets at fair value through profit or loss significantly decreased by HKD203.7 million to HKD70.3 million from HKD274.0 million as at 31 December 2020. Such decrease was mainly due to the maturity of structured deposits in the amount of RMB225.0 million (equivalent to HKD270.7 million) in the current period.

Trade and bills payables

As at 30 June 2021, the Group's trade and bills payable significantly decreased by HKD135.4 million from HKD544.9 million as at 31 December 2020 to HKD409.5 million. Such decrease was in line with the downturn of the Supply Chain Business in the current period.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021, the cash and cash equivalents of the Group were HKD73.5 million (31 December 2020: HKD118.6 million) and interest-bearing borrowings, including the unlisted bonds, borrowings and lease liabilities were HKD543.8 million (31 December 2020: HKD665.8 million). The following table details the cash and cash equivalents, the bonds, the borrowings and the lease liabilities of the Group as at 30 June 2021 denominated in original currencies:

	At 30 June 2021	
	HKD ('000)	RMB ('000)
Cash and cash equivalents	9,724	53,041
Bonds	—	—
Borrowings	43,000	413,372
Lease liabilities	—	2,936

	At 31 December 2020	
	HKD ('000)	RMB ('000)
Cash and cash equivalents	18,517	83,995
Bonds	189,927	—
Borrowings	43,000	359,372
Lease liabilities	—	3,788

The Group principally satisfies its demand for operating capital with cash inflow from its operations, unlisted bond issuance and borrowings. As at 30 June 2021, 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 73.7% (31 December 2020: 125.4%). The gearing ratio dropped in comparison to previous year mainly due to the placing and subscription of new shares in the Company (the "Shares") during the six months ended 30 June 2021 which have enlarged the amount of shareholders' fund of the Group. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.25 (31 December 2020: 1.04). The liquidity ratio improved in comparison to that as at 31 December 2020 due to the repayment of bonds during the period.

FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollar, which is pegged to the United States dollars, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in Renminbi. While the Group's operations in the PRC, the location of its production, are primarily conducted in Renminbi, its Hong Kong operations are conducted in Hong Kong dollars. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest rate risk arises from 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 30 June 2021, the investment properties of the Group located in Yunfu, PRC with net carrying amount of approximately HKD238.8 million (31 December 2020: HKD221.4 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 approximately HKD66.5 million (31 December 2020: HKD67.4 million) and HKD9.5 million (31 December 2020: HKD11.0 million) 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 as at 30 June 2021 with carrying amount of approximately HKD70.2 million (31 December 2020: HKD273.9 million) and HKD84.2 million (31 December 2020: HKD47.7 million) respectively, were pledged as guarantee deposits for bills payables to suppliers.

FINANCIAL GUARANTEES PROVIDED

As at 30 June 2021, the Company had provided corporate guarantees amounting to HKD403.9 million (31 December 2020: HKD478.0 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 six months ended 30 June 2021, the Group invested HKD14,000 (31 December 2020: HKD28,000) on properties, plant and equipment, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 30 June 2021 and 31 December 2020, the Group had no capital commitments.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2021, the significant investments held by the Group are as follows:

	30 June 2021 HKD'000	31 December 2020 HKD'000
Financial assets at fair value through other comprehensive income	214,029	221,489
Financial assets at fair value through profit or loss		
— Listed equity securities in Hong Kong	105	108
— Structured deposits	70,211	273,897
	284,345	495,494

Save as disclosed above, there were no significant investments held by the Group for the six months ended 30 June 2021.

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 were 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.

The net proceeds received by the Company from the Placing and the Subscription after deducting related fees and expenses were approximately HKD198.2 million, which have been entirely used for repayment of the bonds and its accrued interests as at the date of this report.

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 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of approximately 50 employees (30 June 2020: approximately 50 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 2021 (30 June 2020: 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 2021, the Group will continue to enhance the performance in the Supply Chain Business as its core business by improving the efficiency on utilisation of the Group's resources for the supply chain of non-ferrous metals and construction materials. The business environment of the Supply Chain Business is expected to stabilise steadily; and its revenue would be improved and increased. The management will remain cautious and optimistic about the prospects of the supply chain markets. The Group will also do its best in maintaining the momentum in sustainable and stable development. In addition, the management will maintain the stable and healthy development in 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.

The foreseeable outlook of the business environment would continue to remain uncertain and challenging, in particular, with the occasional outbreaks of different variants of COVID-19 and the stalemate in the United States-China trade argument. Under these unpredicted circumstances, the management will seek business continuity and adjust its operating strategies in a timely manner. The Group will explore any new investment opportunities and safeguard its resources to achieve stable growth of the Group.

OTHER INFORMATION

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follow:

Name of Directors	Number of Shares Held <i>(Note 1)</i>	Capacity	Approximate % Shareholding <i>(Note 2)</i>
Mr. Liao Nangang ("Mr. Liao") <i>(Note 3)</i>	1,092,000,000	Interests of controlled corporation	28.00%
Mr. Wang Jian ("Mr. Wang") <i>(Note 4)</i>	546,953,000	Interest of controlled corporation	14.02%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
2. The percentage was calculated based on the total number of Shares of the Company as at 30 June 2021, which was 3,900,000,000.
3. These 1,092,000,000 Shares are owned by Tengyue Holding Limited ("Tengyue Holding") which is wholly-owned by Beyond Glory Holdings Limited ("Beyond Glory"). In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of SFO.
4. These 546,953,000 Shares are owned by Massive Thriving Limited ("Massive Thriving") which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as is known to the Directors and chief executive of the Company, other than the interests of the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follow:

Name of Shareholders	Number of Shares Held <i>(Note 1)</i>	Capacity	Approximate % of Shareholding <i>(Note 2)</i>
Tengyue Holding <i>(Note 3)</i>	1,092,000,000	Beneficial owner	28.00%
Beyond Glory <i>(Note 3)</i>	1,092,000,000	Interest of controlled corporation	28.00%
Youngheng Holdings Limited ("Youngheng Holdings") <i>(Note 4)</i>	720,000,000	Beneficial owner	18.46%
Mr. Shi Andong ("Mr. Shi") <i>(Note 4)</i>	720,000,000	Interest of controlled corporation	18.46%
Massive Thriving <i>(Note 5)</i>	546,953,000	Beneficial owner	14.02%
Mr. Yao Jianhui ("Mr. Yao") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Bao Xin International Group Limited ("BXIG") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Tinmark Development Limited ("TDL") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Glory Sun Financial Group Limited ("GSFG") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Glory Sun Financial Holdings Limited ("GSFH") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Great Sphere Developments Limited ("GSDL") <i>(Note 6)</i>	282,697,950	Interest of controlled corporation	7.25%
Mr. Huang Shilong	275,500,000	Beneficial owner	7.06%
Stellar Result Limited ("SRL") <i>(Note 6)</i>	203,377,950	Interest of controlled corporation	5.21%
Glory Sun Credit Limited ("GSCL") <i>(Note 6)</i>	203,377,950	Person having a security interest in Shares	5.21%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.
2. The percentage was calculated based on the total number of Shares of the Company as at 30 June 2021, which was 3,900,000,000.
3. These 1,092,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly-owned by Mr. Liao. Accordingly, Beyond Glory and Mr. Liao are deemed to be interested in all the Shares held by Tengyue Holding by virtue of SFO.
4. These 720,000,000 Shares are owned by Youngheng Holdings which is wholly-owned by Mr. Shi. Accordingly, Mr. Shi is deemed to be interested in all the Shares held by Youngheng Holdings by virtue of SFO.
5. These 546,953,000 Shares are owned by Massive Thriving which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of SFO.
6. According to the corporate substantial shareholder notice filed on 30 June 2020 by each of BXIG and TDL and the individual substantial shareholder notice filed on 30 June 2020 by Mr. Yao, GSCL is interested in 203,377,950 Shares by way of a security interest in those Shares. GSCL is wholly-owned by SRL, which is in turn wholly-owned by GSFH; GSFH is wholly-owned by GSDL, which is in turn wholly-owned by GSFG; GSFG is owned as to approximately 47.10% in aggregate by BXDL and TDL. Glory Sun Securities Limited ("GSCL") is directly interested in 79,320,000 Shares and is indirectly owned by TDL through GSFH, GSDL, GSFG, Bao Xin Development Limited and BXIG, among others. In addition, TDL is wholly-owned by Mr. Yao. Accordingly, Mr. Yao is deemed to be interested in all 282,697,950 Shares in which GSCL and GSCL are directly interested by virtue of SFO.

Save as disclosed above, as at 30 June 2021, the Company had not been notified of any other person or corporation (other Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 23 August 2011 and expired on 22 August 2021. No options have been granted, exercised or cancelled since the adoption of the share option scheme up to the date of this interim report.

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 2021.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors since the date of the 2020 annual report of the Company are set out below:

Directors	Details of Changes	
Mr. Liao	— Appointed as an Executive Director, the Chairman of each of the Board, nomination committee (the “ Nomination Committee ”), strategic committee (the “ Strategic Committee ”) and investment and fund raising committee (the “ Investment & Fund Raising Committee ”) of the Company on 1 April 2021	
Mr. Wang	— Ceased to be the chief executive officer of the Company (the “ CEO ”), the Chairman of the Board, and the member of each of Strategic Committee and Investment & Fund Raising Committee on 1 April 2021 but remain as an Executive Director	— The remuneration of Mr. Wang was adjusted from HK\$468,000 per annum to HK\$260,000 per annum and discretionary bonus in accordance with his service contract with effect from 1 April 2021
Ms. Qian Pu	— Appointed as CEO on 1 April 2021	
Mr. Chan Ngai Sang Kenny	— Ceased to be the chairman of Nomination Committee on 1 April 2021 but remains as a member thereof	
Mr. Shin Yick Fabian	— Resigned as a company secretary of Victory City Holdings Limited (stock code: 539), a company listed on the main board of the Stock Exchange, on 12 April 2021	
Mr. Law Fei Shing	— Resigned as a Non-executive Director on 1 June 2021	
Mr. Liu Xiaowei	— Appointed as a Non-executive Director on 2 July 2021	

Save as disclosed above, there is no other information required to be disclosed herein pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, 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.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 25 June 2021 (the “AGM”) due to other pre-arranged business commitments and the circumstance under the COVID-19 outbreak, respectively; and

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

The Board will continuously review the effectiveness of the corporate governance structure of the Company and effect changes whenever necessary.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the six months ended 30 June 2021.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 (the “Interim Results”) with no disagreement with the accounting treatment adopted by the Group. At the request of the Directors, the Group’s external auditors have carried out a review of the Interim Results in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued Shares of the Company as required under the Listing Rules throughout the six months ended 30 June 2021 and up to the date of this report.

By Order of the Board

Pak Tak International Limited

Liao Nangang

Chairman

Hong Kong, 27 August 2021

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF PAK TAK INTERNATIONAL LIMITED

(Incorporated in the Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements set out on pages 17 to 42 which comprises the condensed consolidated statement of financial position of Pak Tak International Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) as at 30 June 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and other explanatory notes (the “**interim financial information**”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to form a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA. A review of this interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2021 is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 27 August 2021

Choi Kwong Yu

Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
	Note	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Revenue	4	590,842	1,164,552
Other revenue	5	17,259	8,913
Other net gains	5	3,219	336
Fair value gain on investment properties	13	15,293	9,698
Direct costs and operating expenses		(563,716)	(1,131,342)
Administrative expenses		(17,687)	(12,351)
Profit from operations	6	45,210	39,806
Finance costs	7	(25,436)	(15,341)
Profit before taxation		19,774	24,465
Income tax expense	8	(6,947)	(7,585)
Profit for the period		12,827	16,880
Attributable to equity shareholders of the Company:		12,827	16,880
Earnings per share	9		
— Basic and diluted (in HK cents)		0.37	0.58

The notes on pages 23 to 42 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended	
	30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Profit for the period	12,827	16,880
Other comprehensive income/(loss) for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	3,964	(7,346)
<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	(7,460)	(19,469)
Total comprehensive income/(loss) for the period	9,331	(9,935)
Attributable to equity shareholders of the Company	9,331	(9,935)

The notes on pages 23 to 42 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	<i>HKD'000</i> (unaudited)	<i>HKD'000</i> (audited)
Non-current assets			
Property, plant and equipment	11	66,760	67,779
Right-of-use assets	12	3,340	4,354
Investment properties	13	238,834	221,443
Financial assets at fair value through other comprehensive income	14	214,029	221,489
Finance lease receivables	15	18,404	26,509
		<u>541,367</u>	<u>541,574</u>
Current assets			
Trade and other receivables	16	1,008,135	818,306
Loan receivables	17	30,386	40,526
Current portion of finance lease receivables	15	18,597	19,060
Financial assets at fair value through profit or loss	18	70,316	274,005
Pledged bank deposits		84,210	47,676
Cash and cash equivalents		73,532	118,630
		<u>1,285,176</u>	<u>1,318,203</u>
Current liabilities			
Trade and bills payables	19	409,483	544,869
Other payables, accrued charges and deferred income		63,319	53,877
Contract liabilities		38,387	30,729
Bonds	20	–	189,927
Borrowings	21	508,703	437,622
Lease liabilities		2,177	2,071
Tax payable		2,710	7,334
		<u>1,024,779</u>	<u>1,266,429</u>
Net current assets		<u>260,397</u>	<u>51,774</u>
Total assets less current liabilities		<u>801,764</u>	<u>593,348</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2021

		At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Non-current liabilities			
Borrowings	21	31,584	33,714
Lease liabilities		1,355	2,443
Deferred tax liabilities		30,480	26,402
		<u>63,419</u>	<u>62,559</u>
NET ASSETS		<u>738,345</u>	<u>530,789</u>
CAPITAL AND RESERVES	24		
Share capital		78,000	58,000
Reserves		660,343	472,787
Equity attributable to equity shareholders of the Company		<u>738,343</u>	<u>530,787</u>
Non-controlling interests		<u>2</u>	<u>2</u>
TOTAL EQUITY		<u>738,345</u>	<u>530,789</u>

Approved and authorised for issue by the board of directors on 27 August 2021.

Liao Nangang
Director

Qian Pu
Director

The notes on pages 23 to 42 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity shareholders of the Company							Total equity HKD'000
	Share capital HKD'000	Share premium HKD'000	Financial assets at fair value through other comprehensive income reserve HKD'000	Exchange reserve HKD'000	Retained profits HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	
Balance at 1 January 2020 (audited)	58,000	362,134	(51,209)	(6,623)	132,157	494,459	2	494,461
Changes in equity for the six months ended 30 June 2020:								
Profit for the period	-	-	-	-	16,880	16,880	-	16,880
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	-	-	-	(7,346)	-	(7,346)	-	(7,346)
Fair value change of financial assets at fair value through other comprehensive income, net of tax	-	-	(19,469)	-	-	(19,469)	-	(19,469)
Total comprehensive (loss)/income for the period	-	-	(19,469)	(7,346)	16,880	(9,935)	-	(9,935)
Balance at 30 June 2020 (unaudited)	<u>58,000</u>	<u>362,134</u>	<u>(70,678)</u>	<u>(13,969)</u>	<u>149,037</u>	<u>484,524</u>	<u>2</u>	<u>484,526</u>
Balance at 1 January 2021 (audited)	58,000	362,134	(25,816)	20,759	115,710	530,787	2	530,789
Changes in equity for the six months ended 30 June 2021:								
Profit for the period	-	-	-	-	12,827	12,827	-	12,827
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	-	-	-	3,964	-	3,964	-	3,964
Fair value change of financial assets at fair value through other comprehensive income, net of tax	-	-	(7,460)	-	-	(7,460)	-	(7,460)
Total comprehensive income/(loss) for the period	-	-	(7,460)	3,964	12,827	9,331	-	9,331
Issuance of new shares (Note 24)	20,000	178,225	-	-	-	198,225	-	198,225
Balance at 30 June 2021 (unaudited)	<u>78,000</u>	<u>540,359</u>	<u>(33,276)</u>	<u>24,723</u>	<u>128,537</u>	<u>738,343</u>	<u>2</u>	<u>738,345</u>

The notes on pages 23 to 42 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

		Six months ended 30 June	
	Note	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Net cash (used in)/generated from operating activities		(273,777)	243,872
Investing activities			
Purchase of property, plant and equipment		(14)	(22)
Purchase of financial assets at fair value through profit or loss		(70,456)	(246,645)
Proceeds from disposal of financial assets at fair value through profit or loss		279,856	–
Placement of pledged bank deposits		(36,534)	(43,848)
Other investing cash flows		8,000	5,148
Net cash generated from/(used in) investing activities		180,852	(285,367)
Financing activities			
Capital element of lease rental paid		(1,022)	(755)
Interest element of lease rental paid		(169)	(156)
Net proceeds from issue of new shares	24	198,225	–
Repayment of bonds		(189,927)	–
Proceeds from new loans		79,134	220,234
Repayment of loans		(14,323)	(149,939)
Repayment to a shareholder		–	(70,000)
Other financing cash flows		(25,267)	(7,955)
Net cash generated from/(used in) financing activities		46,651	(8,571)
Net decrease in cash and cash equivalents		(46,274)	(50,066)
Cash and cash equivalents at the beginning of the period		118,630	105,034
Effect of foreign exchange rate changes		1,176	(8,181)
Cash and cash equivalents at the end of the period		73,532	46,787
Analysis of cash and cash equivalents:			
Cash and cash equivalents in the condensed consolidated statement of financial position		73,532	47,084
Bank overdraft		–	(297)
		73,532	46,787

The notes on pages 23 to 42 form part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL

Pak Tak International Limited (the “**Company**”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong is Unit 1902, 19/F, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the supply chain business, leasing business, property investment and consultancy, money lending business and securities investment.

The condensed consolidated financial statements of the Company and its subsidiaries (together the “**Group**”) are presented in Hong Kong dollars (“**HKD**”) which is same as the functional currency of the Company. The condensed consolidated financial statements are presented in the nearest thousand (HKD’000) unless otherwise stated.

The continued wide spread of the Novel Coronavirus in the People’s Republic of China (the “**PRC**”) since the beginning of 2020 is a turbulent and challenging situation facing by all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and minimise the negative impact to the business. The Group will continue to pay attention on the change of this situation and make timely response and adjustments in the future. Actual results may differ from these estimates as the potential impact in the reminder of 2021 and thereafter cannot be accurately predicted.

2. BASIS OF PRESENTATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim financial information should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2020 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

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

Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. Nevertheless, there is no impact on the opening balance of equity at 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on this interim financial information as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

4. REVENUE AND 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 five 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; and
- (v) Securities investment.

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(a) Disaggregation of revenue

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products of service lines		
— Sales of goods	<u>583,884</u>	<u>1,155,474</u>
Revenue from other sources		
Finance lease income	1,953	3,959
Gross rentals from investment properties		
— Lease payment that are fixed	2,821	1,943
Loan interest income	1,763	2,496
Loan handling fee income	–	680
Gains on disposals of financial assets at fair value through profit or loss	<u>421</u>	<u>–</u>
	<u>6,958</u>	<u>9,078</u>
	<u>590,842</u>	<u>1,164,552</u>
Disaggregated by geographical location of customers		
— Hong Kong (place of domicile)	2,184	3,176
— The PRC	<u>588,658</u>	<u>1,161,376</u>
	<u>590,842</u>	<u>1,164,552</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Information about profit or loss

Six months ended 30 June 2021 (unaudited)	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
Disaggregated by timing of revenue recognition						
Point in time	583,884	161	-	-	421	584,466
Over time	-	1,792	2,821	1,763	-	6,376
Revenue from external customers	583,884	1,953	2,821	1,763	421	590,842
Segment result	17,353	37	17,740	(1,411)	362	34,081
Reconciliation:						
Interest income						1,665
Other revenue and other net gains						15,594
Corporate and other unallocated expenses						(6,130)
Finance costs						(25,436)
Profit before taxation						19,774
Income tax expense						(6,947)
Profit for the period						12,827
Six months ended 30 June 2020 (unaudited)						
	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
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
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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. REVENUE AND SEGMENT REPORTING (Continued)

(c) Information about assets and liabilities

	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
At 30 June 2021 (unaudited)						
Segment assets	1,071,778	40,164	243,198	37,023	257,566	1,649,729
Reconciliation: Corporate and other unallocated assets						176,814
Total assets						1,826,543
Segment liabilities	917,828	9,342	37,862	425	33,130	998,587
Reconciliation: Deferred tax liabilities Corporate and other unallocated liabilities						30,480 59,131
Total liabilities						1,088,198
At 31 December 2020 (audited)						
Segment assets	1,157,447	48,195	225,395	52,641	226,899	1,710,577
Reconciliation: Corporate and other unallocated assets						149,200
Total assets						1,859,777
Segment liabilities	979,567	11,235	39,455	2,327	-	1,032,584
Reconciliation: Deferred tax liabilities Bonds Corporate and other unallocated liabilities						26,402 189,927 80,075
Total liabilities						1,328,988

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. OTHER REVENUE AND OTHER NET GAINS

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Other revenue		
Dividend income	8,000	5,148
Interest income	1,665	322
Interest income from supply chain financing agreement	5,086	1,923
Handling fee income from supply chain financing agreement	1,992	1,517
Other income	287	3
Reversal of expected credit loss allowance on receivables	229	-
	17,259	8,913
Other net gains/(losses)		
Exchange gain, net	-	2
Loss on disposal of property, plant and equipment	-	(8)
Loss on finance lease receivables	-	(628)
Fair value change of financial assets at fair value through profit or loss	3,219	970
	3,219	336

6. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Profit from operations has been arrived at after charging:		
Depreciation on property, plant and equipment	1,035	1,059
Depreciation on right-of-use assets	1,052	824

7. FINANCE COSTS

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Current tax		
— Hong Kong	—	29
— The PRC	<u>3,124</u>	<u>5,152</u>
	3,124	5,181
Deferred tax		
— Hong Kong	—	(21)
— The PRC	<u>3,823</u>	<u>2,425</u>
	3,823	2,404
Income tax expense	<u>6,947</u>	<u>7,585</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2021 and 30 June 2020, 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 2020.

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 2021 and 30 June 2020.

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	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Earnings		
Profit attributable to equity shareholders of the Company	<u>12,827</u>	<u>16,880</u>
Number of shares	'000	'000
Weighted average number of ordinary shares in issue	<u>3,441,436</u>	<u>2,900,000</u>

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 2021 (six months ended 30 June 2020: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of HKD14,000 (six months ended 30 June 2020: HKD22,000). During the six months ended 30 June 2020, items of furniture, fixtures and equipment with a net book value of HKD8,000 were disposed, resulting in a loss on disposal of HKD8,000. There was no disposal of property, plant and equipment during the six months ended 30 June 2021.

12. 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. The Group did not enter into any new lease during the six months ended 30 June 2021.

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 3, the Group has early adopted the Amendment to HKFRS 16, Leases, Covid-19-related rent concessions beyond 30 June 2021. During the six months ended 30 June 2021, the Group did not receive any rent concessions in the form of a discount on fixed lease payments during the period of severe social distancing and travel restriction measures due to the spread of COVID-19. Therefore, the 2021 Amendment has no impact on the Group during the period.

13. INVESTMENT PROPERTIES

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
At the beginning of the period/year	221,443	191,056
Exchange realignment	2,098	13,716
Fair value gain	15,293	16,671
At the end of the period/year	<u>238,834</u>	<u>221,443</u>

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 2021, the Group's investment properties with an aggregate carrying amount of HKD238,834,000 (31 December 2020: HKD221,443,000), were pledged to a bank to secure for a bank loan (31 December 2020: bank loans and bills payables) granted to the Group (Notes 19 and 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

13. INVESTMENT PROPERTIES (Continued)

Fair value measurement of the Group's investment properties (Continued)

- 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 2021 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.

The valuation of the Group's investment properties at 30 June 2021 and 31 December 2020 are 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. 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.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Financial assets at fair value through other comprehensive income ("FVOCI")		
— Listed equity securities in Hong Kong	30,101	41,366
— Unlisted equity securities in Hong Kong	183,928	180,123
	<u>214,029</u>	<u>221,489</u>

Certain listed equity securities with carrying amount of approximately HKD9,490,000 (31 December 2020: HKD10,950,000) are pledged to a third party to secure for other borrowings (Note 21).

The unlisted equity securities are 13,921,278 (31 December 2020: 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. As at 31 December 2020, all the unlisted equity securities were pledged to an independent third party to secure for the bonds. During the period ended 30 June 2021, they were released upon the full settlement on 24 March 2021 (Note 20).

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

15. FINANCE LEASE RECEIVABLES

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Non-current finance lease receivables	18,775	26,957
Current finance lease receivables	<u>18,844</u>	<u>19,372</u>
	<u>37,619</u>	<u>46,329</u>
Less: Expected credit loss allowance		
— Non-current portion	(371)	(448)
— Current portion	<u>(247)</u>	<u>(312)</u>
	<u>(618)</u>	<u>(760)</u>
	<u>37,001</u>	<u>45,569</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 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Within 1 year	20,625	23,198	18,844	19,372
After 1 year but within 2 years	8,301	13,750	11,051	15,562
After 2 years but within 5 years	<u>9,558</u>	<u>10,924</u>	<u>7,724</u>	<u>11,395</u>
	<u>38,484</u>	47,872	<u>37,619</u>	46,329
Less: Unearned interest income	<u>(865)</u>	<u>(1,543)</u>	<u>—</u>	<u>—</u>
Present value of minimum lease payments receivable	<u>37,619</u>	<u>46,329</u>	<u>37,619</u>	<u>46,329</u>

Certain machineries are leased out under finance leases with lease terms of 24 to 48 months (31 December 2020: 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 2020: 6.2% to 12%) per annum.

Finance lease receivables are secured over the machineries leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

16. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Trade receivables, net of expected credit loss allowance	807,302	685,397
Other receivables, net of expected credit loss allowance	<u>94,672</u>	<u>78,203</u>
	901,974	763,600
Deposits and prepayments	<u>106,161</u>	<u>54,706</u>
	<u>1,008,135</u>	<u>818,306</u>

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

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Within 1 month	47,706	418,540
1 to 3 months	4,491	30,438
3 to 12 months	754,896	235,192
Over 12 months	<u>209</u>	<u>1,227</u>
	<u>807,302</u>	<u>685,397</u>

Trade receivables are generally due within 30 to 365 days (31 December 2020: 30 to 365 days) from the date of billing. The ageing analysis of trade receivables (net of expected credit loss allowances) as at the end of the reporting period, based on due date, is as follows:

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Current (not past due)	806,607	683,618
Less than 1 month past due	695	—
1 to 3 months past due	—	741
3 to 12 months past due	—	—
Over 12 months past due	<u>—</u>	<u>1,038</u>
	<u>807,302</u>	<u>685,397</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

17. LOAN RECEIVABLES

The loan receivables from the money lending business are provided to the independent third parties after credit assessment on the respective borrower, bear interest at 10% per annum and repayable within 1 year (31 December 2020: interest at 10% per annum and repayable within 1 year).

As at 30 June 2021, loan receivables of HKD30,386,000 (31 December 2020: HKD40,526,000) are secured by the charges over certain shares of a company listed on the Main Board of the Stock Exchange.

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

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Held for trading investments at fair value		
— Listed equity securities in Hong Kong	105	108
— Structured deposits	<u>70,211</u>	<u>273,897</u>
	<u>70,316</u>	<u>274,005</u>

As at 30 June 2021, the Group placed two principal-guaranteed structured deposits in a reputable bank in the PRC amounting to a total of RMB58,000,000 (equivalent to HKD69,774,000) which are with terms of 364-365 days and the expected annual rates of returns are floating rates ranging from 1.95% to 4.1% and are indexed to a number of foreign exchanges' rates.

As at 31 December 2020, the Group placed certain principal-guaranteed structured deposits in reputable banks in the PRC amounting to RMB225,000,000 (equivalent to HKD268,178,000). The structured deposits of RMB175,000,000 (equivalent to HKD208,583,000) with terms of 364-365 days and the expected annual rates of returns are floating rates ranging from 1% to 3.6% which are indexed to a number of foreign exchanges' rates; and RMB50,000,000 (equivalent to HKD59,595,000) 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 ranged from 0% to 2% which are indexed to the price of gold in Shanghai Gold Market and United States Dollars ("USD") 3-month London Interbank Offered Rate, both of the structured deposits were expired and released on the maturity date during the period.

All the structured deposits are pledged to the respective banks to secure certain bills payables made available to the Group as at 30 June 2021 and 31 December 2020 respectively.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

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 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Within 1 month	70,415	25,717
1 to 3 months	1,944	1,064
3 to 12 months	337,124	517,167
Over 12 months	—	921
	409,483	544,869

As at 30 June 2021, the Group has HKD337,124,000 (31 December 2020: HKD507,921,000) bills payables in which, amount of HKD120,300,000 (31 December 2020: HKD184,745,000) are secured by corporate guarantee from the Company (31 December 2020: corporate guarantee from the Company and investment properties of the Group), amount of HKD204,794,000 (31 December 2020: HKD323,176,000) are secured by structured deposits and pledged bank deposits of the Group and properties from an independent third party (31 December 2020: structured deposits and pledged bank deposits of the Group) respectively. The remaining amount of HKD12,030,000 (31 December 2020: HKD nil) is unsecured.

20. BONDS

	At 30 June 2021 HKD'000 (unaudited)	At 31 December 2020 HKD'000 (audited)
Bonds carried at fixed coupon rate of 7% to 7.5% per annum	—	189,927

The Company issued 7.5% and 7% coupon unlisted bonds with the principal amount of HKD100,000,000 and HKD90,000,000, respectively which were repayable within 12 months from the respective date of issue, and due for repayment on 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 (Note 14). 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. Subsequently, the bonds were fully settled by the Company on 24 March 2021.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

21. BORROWINGS

	At 30 June 2021 <i>HKD'000</i> (unaudited)	At 31 December 2020 <i>HKD'000</i> (audited)
Bank loans, secured (Note (a))	418,153	428,336
Other borrowings, secured (Note (b))	43,000	43,000
Other borrowings, unsecured (Note (c))	79,134	–
	<u>540,287</u>	<u>471,336</u>

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

	At 30 June 2021 <i>HKD'000</i> (unaudited)	At 31 December 2020 <i>HKD'000</i> (audited)
Within 1 year	508,703	437,622
After 1 year but within 2 years	5,122	4,915
After 2 years but within 5 years	26,462	28,799
	<u>540,287</u>	<u>471,336</u>
Less: Amount due within one year or repayable on demand classified as current liabilities	<u>(508,703)</u>	<u>(437,622)</u>
	<u>31,584</u>	<u>33,714</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

21. **BORROWINGS** *(Continued)*

Notes:

- (a) At 30 June 2021, bank loans of HKD240,600,000 (31 December 2020: HKD238,380,000) and HKD36,387,000 (31 December 2020: HKD38,322,000) 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% (31 December 2020: 5.4%) per annum and 6.37% (31 December 2020: 6.37%) per annum, respectively.

A general banking facility from a bank amounting to RMB150,000,000 (equivalent to approximately HKD180,450,000) (31 December 2020: RMB150,000,000 (equivalent to approximately HKD178,785,000)) is secured by corporate guarantee and properties from independent third parties. The facility is utilised to the extent of RMB117,345,000 (equivalent to HKD141,166,000) (31 December 2020: RMB127,220,000 (equivalent to HKD151,634,000)), interest-bearing at 6.5% (31 December 2020: 6.5%) per annum.

- (b) Other borrowings are obtained from independent third parties. Amounts of HKD6,000,000 (31 December 2020: HKD6,000,000) and HKD37,000,000 (31 December 2020: HKD37,000,000) are secured by certain listed shares with carrying amount of approximately HKD9,490,000 (31 December 2020: HKD10,950,000) 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% per annum and repayable within 12 months after a further extension notice in writing on 23 March 2021 (31 December 2020: interest-bearing at 10% per annum and repayable within 12 months).
- (c) Other borrowings are obtained from independent third parties. The amounts were unsecured, bear interest ranging from 8% to 11% per annum and repayable within 9 months (31 December 2020: HKD nil).

22. **PLEDGE OF ASSETS**

As at 30 June 2021, the Group has the following charges on its assets:

- (i) The investment properties of the Group with carrying amount of approximately HKD238,834,000 (31 December 2020: approximately HKD221,443,000) have been pledged to secure bank loans (Note 21) granted to the Group and pledged to secure for its bank facilities.
- (ii) The property and financing assets at fair value through other comprehensive income of the Group with carrying amount of approximately HKD66,479,000 (31 December 2020: HKD67,393,000) and HKD9,490,000 (31 December 2020: HKD10,950,000) respectively were pledged to a third party to secure for parts of the other borrowings.
- (iii) The structured deposits and pledged bank deposits of the Group entered with financial institutions during the period with carrying amount of approximately HKD70,211,000 (31 December 2020: HKD273,897,000) and HKD84,210,000 (31 December 2020: HKD47,676,000) respectively, were pledged as guarantee deposits for bills payables to suppliers.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

23. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	2,742	2,465
Contributions to defined contribution retirement plan	95	77
	<u>2,837</u>	<u>2,542</u>

24. CAPITAL AND RESERVES

On 20 January 2021, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 720,000,000 new shares of the Company (the "Placing Shares") at the placing price of HKD0.2 per Placing Share to one placee who was an independent third party.

On the same date of the placing agreement, the Company entered into a subscription agreement with the subscriber, Tengyue Holding Limited, who is a substantial shareholder which beneficially owns 812,000,000 shares, representing 28% of the issued share capital of the Company, and hence a connected person of the Company under the Listing Rules. Pursuant to the subscription agreement, the subscriber has conditionally agreed to subscribe 280,000,000 new shares of the Company (the "Subscription Share") at the subscription price of HKD0.2 per Subscription Share.

The placing and the subscription were completed on 24 March 2021 and 720,000,000 and 280,000,000 shares were issued to the placee and the subscriber in accordance with the terms of the placing agreement and subscription agreement respectively. The net proceeds from the placing and the subscription amounted to approximately HKD198,225,000 (net of related fees and expenses).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

The Group's finance department led by the group financial controller performs the valuations of financial assets, including level 3 fair values, required for financial reporting purposes and independent external valuers will be engaged for expert opinions if needed. Discussions of valuation processes and results are held by the board members and Audit Committee at least twice every year, which is in line with the Group's reporting periods.

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

	Fair value measurements as at			Fair value at 31 December 2020	Fair value measurements as at		
	Fair value at 30 June 2021	30 June 2021 (unaudited) categorised into			Fair value at 31 December 2020 (audited) categorised into	Level 3	
	HKD'000	Level 1 HKD'000	Level 2 HKD'000		Level 3 HKD'000	Level 1 HKD'000	Level 2 HKD'000
Recurring fair value measurements							
financial assets:							
Financial assets measured at FVOCI							
- Listed equity securities	30,101	30,101	-	-	41,366	41,366	-
- Unlisted equity securities	183,928	-	-	183,928	180,123	-	180,123
Financial assets measured at FVPL							
- Listed equity securities	105	105	-	-	108	108	-
- Structured deposits	70,211	-	70,211	-	273,897	-	273,897

During the six months end 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: nil). 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

The fair value of financial assets in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rate as at the end of the reporting period. The discount rates used are derived from the relevant foreign exchange's rate (31 December 2020: the price of gold in Shanghai Gold Market, USD 3-month London Interbank Offered Rate and relevant foreign exchange's rate) as at the end of the reporting period plus an adequate constant credit spread.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity instrument	Discounted cash flow model	Discount rate	10% (2020: 10.0%)

The fair value of unquoted equity investments is determined using the income approach, in this approach, the discounted cash flows method was used to capture the present value of the expected future economic benefits to be derived from the equity ownership of these unlisted securities. The fair value measurement is negatively correlated to the discount rate. As at 30 June 2021, it is estimated that with all other variable held constant, a decrease/increase in discount rate by 5% would have increased/decreased the Group's other comprehensive income by approximately HKD8,135,000/HKD7,050,000 (31 December 2020: increased HKD10,111,000/decreased HKD8,757,000).

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Unquoted equity investments:		
At 1 January	180,123	175,112
Change in fair value recognised in other comprehensive income during the period	3,805	311
At 30 June	183,928	175,423

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

26. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairments of property, plant and equipment

In considering the impairment loss that may be required for certain property, plant and equipment, and deposits paid for acquisition of property, plant and equipment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

An increase or decrease in the above impairment loss would affect the operating results in the year and future years.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules in various jurisdictions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in respective tax legislation.

Deferred tax assets/liabilities are recognised for tax losses not yet used arising from revaluation of investment properties and temporary deduction differences. As those deferred tax assets/liabilities can only be recognised to the extent that it is probable that future profit will be available against which the unused tax loss/credit can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets/liabilities are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset/liabilities to be recovered/paid.

(d) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions including unobservable inputs. In relying on the valuation report, the directors of the Group have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss that would be recognised in profit or loss. Details of these are set out in Note 13.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

26. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

The Group uses a provision of matrix to calculate ECLs for trade and finance lease receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the historical credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

Impairment loss on other receivables represent management's best estimate of losses incurred under ECL models. Management assesses whether the credit risk of other receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECL. The Group is required to exercise judgement in making assumptions and estimates when calculating impairment loss on other receivables, including historical loss experience on the basis of the relevant observable data that reflects current economic conditions, all of which involves significant management judgments and assumptions.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade and other receivables and finance lease receivables are disclosed in Note 16 and Note 15 respectively. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(f) Estimate of fair value of equity investments

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model) and makes assumptions that are mainly based on market conditions existing at each date of consolidated statement of financial position. Details of the key assumptions used and the impact of changes to these assumptions are described in Note 25(a).

27. CONTINGENT LIABILITIES

As at 30 June 2021, the Group has no material contingent liabilities (31 December 2020: nil).