# 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 2024

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 2024 together with the audited comparative figures for the year ended 31 December 2023 as follows:

* *For identification purposes only*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2024*

| | Note | 2024 HKD'000 | 2023 HKD'000 |
|---|---|---|---|
| **Revenue** | 2 | **674,764** | 422,492 |
| Other revenue | 3 | **600** | 5,274 |
| Other net losses | 3 | **(3,027)** | (24,962) |
| Fair value loss on investment properties | 8 | **(14,547)** | (55,414) |
| Impairment loss recognised on goodwill | 9 | **(164,648)** | – |
| Impairment losses under expected credit loss model, net of reversal | | **(4,848)** | (88,984) |
| Direct costs and operating expenses | | **(640,768)** | (389,177) |
| Administrative expenses | | **(48,847)** | (43,612) |
| **Loss from operations** | | **(201,321)** | (174,383) |
| Finance costs | 4(a) | **(31,276)** | (25,068) |
| **Loss before taxation** | 4 | **(232,597)** | (199,451) |
| Income tax credit/(expense) | 5 | **3,398** | (2,699) |
| **Loss for the year** | | **(229,199)** | (202,150) |
| **Attributable to:** | | | |
| – Equity shareholders of the Company | | **(229,199)** | (201,747) |
| – Non-controlling interests | | **–** | (403) |
| **Loss for the year** | | **(229,199)** | (202,150) |
| | | *HK cents* | *HK cents* |
| **Loss per share** | 6 | | |
| – Basic and diluted | | **(4.89)** | (5.09) |

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

*For the year ended 31 December 2024*

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| **Loss for the year** | **(229,199)** | (202,150) |
| **Other comprehensive loss for the year:** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| – Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax | **(10,011)** | (11,595) |
| Items that will not be reclassified subsequently to profit or loss: | | |
| – Fair value gain/(loss) of financial assets at fair value through other comprehensive income, net of nil tax | **233** | (2,994) |
| **Total comprehensive loss for the year** | **(238,977)** | (216,739) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **(238,977)** | (216,340) |
| Non-controlling interests | **–** | (399) |
| | **(238,977)** | (216,739) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2024*

| | Note | 2024<br>HKD'000 | 2023<br>HKD'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **591,556** | 15,711 |
| Right-of-use assets | | **117,471** | 20,381 |
| Investment properties | *8* | **255,974** | 279,418 |
| Goodwill | *9* | **2,824** | – |
| Intangible assets | *10* | **206,402** | 889 |
| Deferred tax assets | | **9,077** | 8,080 |
| Financial assets at fair value through other comprehensive income | | **162** | 1,478 |
| | | **1,183,466** | 325,957 |
| **Current assets** | | | |
| Inventories | | **34,901** | 1,769 |
| Trade and other receivables | *12* | **568,362** | 535,095 |
| Finance lease receivables | *11* | **–** | – |
| Financial assets at fair value through profit or loss | | **29** | 57 |
| Restricted cash | | **6,996** | – |
| Cash and cash equivalents | | **21,723** | 85,362 |
| | | **632,011** | 622,283 |
| **Current liabilities** | | | |
| Trade payables | *13* | **194,450** | 70,856 |
| Other payables and accrued charges | | **101,663** | 76,442 |
| Contract liabilities | | **56,772** | 11,422 |
| Borrowings | *14* | **490,321** | 337,901 |
| Lease liabilities | | **2,979** | 2,023 |
| Tax payable | | **1,873** | 26 |
| | | **848,058** | 498,670 |
| **Net current (liabilities)/assets** | | **(216,047)** | 123,613 |
| **Total assets less current liabilities** | | **967,419** | 449,570 |

| | Note | **2024** | 2023 |
|---|---|---|---|
| | | ***HKD'000*** | *HKD'000* |
| **Non-current liabilities** | | | |
| Borrowings | *14* | **254,366** | 29,407 |
| Lease liabilities | | **11,690** | 12,241 |
| Deferred tax liabilities | | **86,243** | 40,668 |
| Provision for rehabilitation | | **10,917** | – |
| | | **363,216** | 82,316 |
| **NET ASSETS** | | **604,203** | 367,254 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **112,600** | 93,600 |
| Reserves | | **481,177** | 273,654 |
| | | **593,777** | 367,254 |
| Non-controlling interests | | **10,426** | – |
| **TOTAL EQUITY** | | **604,203** | 367,254 |

## 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") 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.

**Going concern assumption**

During the year ended 31 December 2024, the Group recorded a net loss of approximately HKD229,199,000 and as at 31 December 2024, the Group's current liabilities exceed current assets by approximately HKD216,047,000. As at 31 December 2024, the total principal of the Group's borrowings, amounting to approximately HKD490,321,000, along with aggregate interest payables of HKD45,176,000, are due within one year or are repayable on demand. These borrowings exceed the Group's cash and cash equivalents of approximately HKD21,723,000 as at 31 December 2024.

Since the prior year, the Group defaulted on the repayment of two bank borrowings (i.e. Bank Loan 2 and Bank Loan 3 as disclosed in Note 14) with an aggregate principal amount of approximately RMB301,567,000 (equivalent to approximately HKD319,692,000) and the related aggregate amount of compound interests and default interests of approximately RMB41,711,000 (equivalent to approximately HKD44,217,000) as at 31 December 2024.

During the prior year, the lender of Bank Loan 2 has initiated litigation against the Group to recover the principal amount, related compound interests and default interests (together referred as the "**Outstanding Amounts**") of approximately RMB318,794,000 (equivalent to approximately HKD337,954,000) in aggregate as at 31 December 2024.

In October 2024, the Group received a written civil ruling issued by the Intermediate People's Court of Shenzhen, Guangdong in connection with the legal proceedings instituted by the lender to recover the Outstanding Amounts. Pursuant to the civil ruling, the Group shall repay the Outstanding Amounts immediately. In addition, the Group has been ordered to pay the court handling fee and preservation order application fee totalling approximately RMB1,461,000 (equivalent to approximately HKD1,549,000).

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of these, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) The Group has been actively negotiating with the relevant banks for reaching an agreement on withdrawing the civil ruling, not demanding immediate repayment of existing bank borrowings due to the defaults and revising the repayment terms to allow for instalments over an extended period over three years;

(ii) The substantial shareholder of the Company has agreed in writing to provide sufficient fundings to the Group by way of a shareholder's loan with the payment schedule or to be mutually agreed based on the Company's actual repayment obligations, to finance the full repayment of the Outstanding Amounts;

(iii) The Group has been actively implemented measures to speed up the collection of substantial payments from customers;

(iv) The Group has developed a plan to obtain additional banking facilities by pledging certain of the Group's commercial properties; and

(v) The Group acquired a new business segment in iron ore mining and milling to enhance the Group's profitability and cash inflows.

The directors of the Company have prepared the Group's cash flow projections which cover a period of fifteen months from the end of the reporting period up to 31 March 2026, and are of the opinion that the Group will have sufficient financial resources to satisfy its future working capital requirements and meet its financial obligations as they fall due within the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve the plans and measures as described above which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to mitigate its liquidity pressure and improve the financial position of the Group through the following:

(i) Successful negotiation with the relevant banks for reaching an agreement on withdrawing the civil ruling, not demanding immediate repayment of existing bank borrowings due to the defaults and revising the repayment terms to allow for instalments over an extended period over three years;

(ii) Successfully obtaining fundings from the substantial shareholder of the Company by way of shareholders' loan to finance the full repayment of the Outstanding Amounts;

(iii) Successfully collecting substantial payments from customers;

(iv) Successfully obtaining additional banking facilities by pledging certain of the Group's commercial properties; and

(v) Successfully generating profits and cash inflows from the new business segment in iron ore mining and milling.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

**Changes in accounting policies**

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 | Classification of liabilities as current or non-current ("**2020 amendments**") |
| Amendments to HKAS 1 | Non-current liabilities with covenants ("**2022 amendments**") |
| Amendments to HKFRS 16 | Lease liability in a sale and leaseback |
| Amendments to HKAS 7 and HKFRS 7 | Supplier finance arrangements |

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**Amendments to HKAS 1, Presentation of financial statements (the 2020 and 2022 amendments, collectively the "HKAS 1 amendments")**

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

## 2. REVENUE

Revenue represents net sale value of goods supplied to customers, service income from different segments, interest income and rental income, net of discounts and related value added tax or other taxes, and is analysed as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major products or service lines *(Note)* | | |
| – Sales of goods from supply chain business | **573,068** | 294,706 |
| – Sales of food and beverage products from hotel management and catering services | **79,792** | 100,403 |
| – Management fee income from hotel management services | **10,718** | 15,030 |
| – Handling fee income from supply chain financing arrangements | **219** | 120 |
| | **663,797** | 410,259 |
| **Revenue from other sources** | | |
| Interest income from supply chain financing arrangements | **2,619** | 3,458 |
| Gross rentals from investment properties | | |
| – Lease payment that are fixed | **6,654** | 6,356 |
| Rental income from sublease | **1,694** | 2,419 |
| | **10,967** | 12,233 |
| | **674,764** | 422,492 |

*Note:* The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for products or services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for products or services that had an original expected duration of one year or less.

## 3. OTHER REVENUE AND OTHER NET LOSSES

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| **Other revenue** | | |
| Interest income | **159** | 3,207 |
| Write-back of trade payables | **–** | 805 |
| Sundry income | **441** | 1,262 |
| | **600** | 5,274 |
| **Other net (losses)/gains** | | |
| Loss on disposal of property, plant and equipment | **(3,090)** | (533) |
| Gain/(loss) on disposal of subsidiaries | **199** | (24,017) |
| Fair value loss of financial assets at fair value through profit or loss | **(136)** | (396) |
| Others | **–** | (16) |
| | **(3,027)** | (24,962) |

## 4. LOSS BEFORE TAXATION

Loss before taxation is arrived after (crediting)/charging:

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| **(a) Finance costs:** | | |
| Interest on bills payables | **–** | 297 |
| Interest on borrowings | **30,558** | 23,908 |
| Interest on lease liabilities | **718** | 863 |
| | **31,276** | 25,068 |
| **(b) Staff costs (including directors' emoluments):** | | |
| Salaries, wages, bonus and allowances | **44,910** | 46,336 |
| Contributions to defined contribution retirement plans *(Note)* | **5,738** | 5,848 |
| Staff welfare and benefits | **3,830** | 5,992 |
| | **54,478** | 58,176 |

*Note:* Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

| | 2024 | 2023 |
|---|---|---|
| | *HKD'000* | *HKD'000* |
| **(c) Other items:** | | |
| Amortisation on intangible assets | **311** | 731 |
| Auditor's remuneration | | |
| – audit services | **1,130** | 970 |
| – other services | **700** | 308 |
| Cost of inventories sold from supply chain business | **566,513** | 293,191 |
| Cost of inventories consumed from hotel management and catering services | **27,379** | 41,822 |
| Depreciation on property, plant and equipment | **5,277** | 10,360 |
| Depreciation on right-of-use assets | **4,097** | 3,012 |
| Expenses relating to short-term leases | **3,630** | 1,173 |
| Provision for ECL allowance on finance lease receivables | **–** | 29,824 |
| Provision for ECL allowance on trade receivables | **4,880** | 60,090 |
| Reversal of ECL allowance on other receivables | **(32)** | (930) |

## 5. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

| | 2024 | 2023 |
|---|---|---|
| | *HKD'000* | *HKD'000* |
| **Current tax – the PRC Enterprise Income Tax** | | |
| – Current income tax | **554** | 23 |
| – Over-provision in respect of prior years, net | **–** | (652) |
| | **554** | (629) |
| **Deferred tax** | | |
| – the PRC | **(3,952)** | 3,328 |
| Income tax (credit)/expense | **(3,398)** | 2,699 |

Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated or domiciled in Hong Kong have no assessable profits or sustained tax losses for taxation purpose for both years.

Under the Law of the People's Republic of China (the "**PRC**") 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.

## 6. LOSS PER SHARE

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

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| **Loss** | | |
| Loss attributable to equity shareholders of the Company | **(229,199)** | (201,747) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares in issue | **4,682,596** | 3,966,247 |

Basic loss per share is the same as diluted loss per share as the Company has no dilutive potential shares.

## 7. SEGMENT REPORTING

Information reported to the executive directors of the Company, being the chief operating decision-maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2024, the Group commenced the business engaging in iron ore mining and milling along with the acquisition of Zongchuan Investment Group Co,, Limited ("**Zongchuan Investment**") (as detailed in Note 15), and it is considered as a new operating and reportable segment by the CODM.

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

(i) Supply chain business;

(ii) Property investment;

(iii) Hotel management and catering services; and

(iv) Iron ore mining and milling.

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

| **Year ended 31 December 2024** | **Supply chain business**<br>*HKD'000* | **Property investment**<br>*HKD'000* | **Hotel management and catering services**<br>*HKD'000* | **Iron ore mining and milling**<br>*HKD'000* | **Others**<br>*HKD'000* | **Total**<br>*HKD'000* |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | **573,287** | **–** | **79,792** | **–** | **–** | **653,079** |
| Over time | **2,619** | **2,632** | **16,434** | **–** | **–** | **21,685** |
| **Revenue from external customers** | **575,906** | **2,632** | **96,226** | **–** | **–** | **674,764** |
| **Segment loss** | **(12,180)** | **(7,602)** | **(1,061)** | **(164,648)** | **(793)** | **(186,284)** |
| Reconciliation: | | | | | | |
| Interest income | | | | | | **159** |
| Corporate and other unallocated expenses | | | | | | **(15,637)** |
| Finance costs | | | | | | **(31,276)** |
| Other revenue | | | | | | **441** |
| **Loss before taxation** | | | | | | **(232,597)** |
| Income tax credit | | | | | | **3,398** |
| **Loss for the year** | | | | | | **(229,199)** |

| Year ended 31 December 2023 | Supply chain business<br>*HKD'000* | Property investment<br>*HKD'000* | Hotel management and catering services<br>*HKD'000* | Iron ore mining and milling<br>*HKD'000* | Others<br>*HKD'000* | Total<br>*HKD'000* |
|---|---|---|---|---|---|---|
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | 294,826 | – | 100,403 | – | – | 395,229 |
| Over time | 3,458 | 2,672 | 21,133 | – | – | 27,263 |
| **Revenue from external customers** | 298,284 | 2,672 | 121,536 | – | – | 422,492 |
| **Segment loss** | (65,746) | (50,384) | (7,741) | – | (32,220) | (156,091) |
| Reconciliation: | | | | | | |
| Interest income | | | | | | 3,207 |
| Corporate and other unallocated expenses | | | | | | (23,566) |
| Finance costs | | | | | | (25,068) |
| Other revenue | | | | | | 2,067 |
| **Loss before taxation** | | | | | | (199,451) |
| Income tax expense | | | | | | (2,699) |
| **Loss for the year** | | | | | | (202,150) |

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

| **At 31 December 2024** | **Supply chain business** *HKD'000* | **Property investment** *HKD'000* | **Hotel management and catering services** *HKD'000* | **Iron ore mining and milling** *HKD'000* | **Others** *HKD'000* | **Total** *HKD'000* |
|---|---|---|---|---|---|---|
| **Segment assets** | **489,857** | **162,487** | **175,523** | **968,286** | **5,757** | **1,801,910** |
| Reconciliation: | | | | | | |
| Deferred tax assets | | | | | | **9,077** |
| Corporate and other unallocated assets | | | | | | **4,490** |
| Total assets | | | | | | **1,815,477** |
| **Segment liabilities** | **430,122** | **19,975** | **49,154** | **606,878** | **10,441** | **1,116,570** |
| Reconciliation: | | | | | | |
| Deferred tax liabilities | | | | | | **86,243** |
| Corporate and other unallocated liabilities | | | | | | **8,461** |
| Total liabilities | | | | | | **1,211,274** |

| At 31 December 2023 | Supply chain business *HKD'000* | Property investment *HKD'000* | Hotel management and catering services *HKD'000* | Iron ore mining and milling *HKD'000* | Others *HKD'000* | Total *HKD'000* |
|---|---|---|---|---|---|---|
| **Segment assets** | 493,033 | 177,217 | 170,631 | – | 1,783 | 842,664 |
| Reconciliation: | | | | | | |
| Deferred tax assets | | | | | | 8,080 |
| Corporate and other unallocated assets | | | | | | 97,496 |
| Total assets | | | | | | 948,240 |
| Segment liabilities | 423,850 | 28,047 | 79,541 | – | 7,810 | 539,248 |
| Reconciliation: | | | | | | |
| Deferred tax liabilities | | | | | | 40,668 |
| Corporate and other unallocated liabilities | | | | | | 1,070 |
| Total liabilities | | | | | | 580,986 |

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

| **Year ended 31 December 2024** | **Supply chain business** *HKD'000* | **Property investment** *HKD'000* | **Hotel management and catering service** *HKD'000* | **Iron ore mining and milling** *HKD'000* | **Others** *HKD'000* | **Total** *HKD'000* |
|---|---|---|---|---|---|---|
| **Other information** | | | | | | |
| Additions to non-current segment assets | **12** | **–** | **468** | **1,052,724** | **6,466** | **1,059,670** |
| Depreciation and amortisation | **60** | **3** | **7,789** | **–** | **1,833** | **9,685** |
| Impairment loss on goodwill | **–** | **–** | **–** | **164,648** | **–** | **164,648** |
| Provision for/(reversal of) ECL allowances, net | **5,503** | **52** | **(707)** | **–** | **–** | **4,848** |

| Year ended 31 December 2023 | Supply chain business *HKD'000* | Property investment *HKD'000* | Hotel management and catering service *HKD'000* | Iron ore mining and milling *HKD'000* | Others *HKD'000* | Total *HKD'000* |
|---|---|---|---|---|---|---|
| **Other information** | | | | | | |
| Additions to non-current segment assets | – | 9 | 1,277 | – | – | 1,286 |
| Depreciation and amortisation | 61 | 3 | 12,248 | – | 23 | 12,335 |
| Unallocated depreciation | | | | | | 1,768 |
| | | | | | | 14,103 |
| Provision for ECL allowances, net | 56,199 | 60 | 3,120 | – | 29,605 | 88,984 |

**(b) Geographical information**

The Group's revenue from external customers is wholly derived from the PRC.

The Group's information about its non-current assets (excluding goodwill, financial assets at fair value through other comprehensive income and deferred tax assets) by geographic location is as follows:

| | **2024** *HKD'000* | 2023 *HKD'000* |
|---|---|---|
| The PRC | **1,169,410** | 316,399 |
| Hong Kong | **1,993** | – |
| | **1,171,403** | 316,399 |

### (c) Information about major customers

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

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| **Supply chain business** | | |
| Customer A | **127,714** | N/A* |
| Customer B | **209,886** | – |
| Customer C | **–** | 114,464 |

* The corresponding revenue did not contribute 10% or more of the Group's revenue.

## 8. INVESTMENT PROPERTIES

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| At the beginning of the year | **279,418** | 344,108 |
| Exchange realignment | **(8,897)** | (9,276) |
| Fair value loss | **(14,547)** | (55,414) |
| At the end of the year | **255,974** | 279,418 |

The investment properties are situated in the PRC and are held under medium-term leases. The Group leases out shops and a commercial building, which mainly comprises shops and hotel rooms, situated at two different locations in the PRC under operating leases.

As at 31 December 2024 and 2023, certain investment properties were pledged to bank for loans granted to the Group (see Note 14).

### (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 values of the shops and the commercial building at the end of the reporting period have been arrived at on the basis of valuation performed by 深圳市國正信資產評估土地房地產估價有限公司 and International Valuation Limited respectively, independent qualified professional property valuers ("**Property Valuers**") not connected with the Group, with recent experience in the location and category of property being valued. The management has discussion with the Property Valuers on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

The fair value of the shops 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.

The commercial building was acquired through acquisition of subsidiaries on 1 April 2022. At the acquisition date, a portion of the building was classified as an investment property for it being leased out to earn rentals, while the rest of the building was classified as property held for own-use for it being used to run a hotel business. As at 31 December 2022, the Group leased the entire commercial building to an independent third party with an initial term of 8 years and therefore the entire commercial building was transferred to and classified as an investment property.

The income capitalisation approach estimates the fair value of the building on an open market basis by capitalising rental income having regard to the current net passing rental income from existing tenancy and potential future reversionary income at the market level. The term value involves the capitalisation of the current net passing rental income over the existing lease term on a fully leased basis. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised by adopting appropriate occupancy rates. In this approach, the independent qualified professional valuer has considered the term yield and reversionary yield. The term yield is used for capitalisation of the current net passing rental income as at the date of valuation whilst the reversionary yield is used to convert reversionary rental income. The fair value of the commercial building 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.

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

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Shops | | |
| At the beginning of the year | **173,087** | 225,658 |
| Exchange realignment | **(5,509)** | (5,999) |
| Fair value loss | **(9,134)** | (46,572) |
| At the end of the year | **158,444** | 173,087 |

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| A commercial building | | |
| At the beginning of the year | **106,331** | 118,450 |
| Exchange realignment | **(3,388)** | (3,277) |
| Fair value loss | **(5,413)** | (8,842) |
| At the end of the year | **97,530** | 106,331 |

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

The leases typically run for an initial period of 1 to 8 years (2023: 1 to 8 years), with an option to renew the lease after that date at which all terms are renegotiated. None of the leases includes variable lease payments.

Total future minimum lease payments receivable under operating leases is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Within 1 year | **6,814** | 8,370 |
| After 1 year but within 2 years | **4,747** | 6,955 |
| After 2 years but within 3 years | **4,548** | 4,845 |
| After 3 years but within 4 years | **4,775** | 4,642 |
| After 4 years but within 5 years | **4,775** | 4,874 |
| After 5 years | **5,014** | 9,992 |
| | **30,673** | 39,678 |

## 9. GOODWILL

| | **Mining operations** |
|---|---|
| | *HKD'000* |
| **Cost and carrying amount:** | |
| At 1 January 2024 | – |
| Acquired on acquisition of subsidiaries *(Note 15)* | 167,472 |
| Impairment loss made for the year | (164,648) |
| At 31 December 2024 | 2,824 |

Goodwill arising on acquisition of subsidiaries is allocated to the Group's mining operation. Impairment test for this cash-generating unit is as below.

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on the mining plan approved by management covering a nine-year period and discount rate of 8.26%. The cash flow projections covered a period greater than five years because a longer forecast period is required for the relevant business to reflect the foreseeable production of the mine. The cash flows beyond the nine-year period are extrapolated using a steady 2.02% growth rate till the end of the useful life of the mine. This growth rate is based on the relevant industry growth forecasts and does not exceed the iron price forecasts. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, budgeted operating costs, number of future orders and future iron prices, such estimation is based on the unit's past performance and management's expectations for the market development.

During the year ended 31 December 2024, the directors of the Company have consequently determined impairment of goodwill directly related to this cash-generating unit amounting to approximately HKD164,648,000. The impairment loss has been included in profit or loss as a separate line item.

The impairment loss arose because on 31 December 2024, the acquisition date of Zongchuan Investment, the consideration shares issued as consideration for the acquisition of Zongchuan Investment were valued at the fair value of the consideration shares of HKD465,500,000, representing 950,000,000 shares valued at the closing price of the Company's shares of HKD0.49 per share as at the acquisition date. The closing price of the Company's shares as at 31 December 2024 was much higher than the agreed price for the consideration shares of HKD0.336 per share as stipulated in the sale and purchase agreement dated 29 February 2024, amounting to HKD319,200,000 based on the consideration shares priced at HKD0.336 per share.

The substantial increase in the consideration recognised by the Group in the business combination of Zongchuan Investment was primarily attributable to the significant rise in the closing price of the Company's shares between the date of sale and purchase agreement and the acquisition date. This increase in share price was driven by market fluctuations, rather than a significant enhancement in the value of Zongchuan Investment itself during this period. Consequently, the goodwill recognised upon the acquisition of Zongchuan Investment was significantly higher than anticipated at the time of the sale and purchase agreement, ultimately lead to an impairment loss on goodwill with the amount of HKD164,648,000 as of 31 December 2024 in order to reflect the true value of the business.

## 10. INTANGIBLE ASSETS

| | Mining rights *HKD'000* | Computer software *HKD'000* | Total *HKD'000* |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2023 | – | 1,983 | 1,983 |
| Disposals/written-offs | – | (336) | (336) |
| Exchange alignment | – | (53) | (53) |
| At 31 December 2023 and 1 January 2024 | **–** | **1,594** | **1,594** |
| Additions | **–** | **53** | **53** |
| Acquired on acquisition of subsidiaries *(Note 15)* | **205,796** | **–** | **205,796** |
| Exchange alignment | **–** | **(54)** | **(54)** |
| At 31 December 2024 | **205,796** | **1,593** | **207,389** |
| **Accumulated amortisation** | | | |
| At 1 January 2023 | – | 323 | 323 |
| Amortisation provided for the year | – | 731 | 731 |
| Disposals/written-offs | – | (336) | (336) |
| Exchange alignment | – | (13) | (13) |
| At 31 December 2023 and 1 January 2024 | **–** | **705** | **705** |
| Amortisation provided for the year | **–** | **311** | **311** |
| Exchange alignment | **–** | **(29)** | **(29)** |
| At 31 December 2024 | **–** | **987** | **987** |
| **Net carrying amount** | | | |
| At 31 December 2024 | **205,796** | **606** | **206,402** |
| At 31 December 2023 | – | 889 | 889 |

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

As at 31 December 2024, mining rights were pledged to bank for loans granted to the Group (see Note 14).

## 11. FINANCE LEASE RECEIVABLES

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Finance lease receivables | **29,871** | 30,888 |
| Less: Expected credit loss allowance | **(29,871)** | (30,888) |
| | **–** | – |

At 31 December 2024 and 2023, the finance lease receivables are receivable within one year or on demand.

*Note:*

(a) Certain machineries are leased out to one lessee under finance leases with initial lease terms of 24 to 48 months. Prior to the revision of lease contract as stated in Note 11(b), the interest rate inherent in the leases was fixed for the entire lease term and was ranging from 6.2% to 12% per annum.

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

(b) During the year ended 31 December 2022, the Group entered into a finance lease receivable transfer arrangement (the "**Arrangement**") with the lessee. Under the Arrangement, the amount due from the lessee (representing all past due and future lease payments) of RMB25,122,000 (equivalent to HKD28,341,000) was transferred to an independent third party which the new repayment terms were revised as repayable on demand on a full recourse basis and the balance bears interest at the PRC Loan Prime Rate plus certain agreed premium rates until settlement. As the lessee has not transferred the significant obligations relating to these finance lease receivables, the full carrying amount of the receivables continues to be recognised as "finance lease receivables" in the Group's consolidated statement of financial position.

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

## 12. TRADE AND OTHER RECEIVABLES

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Trade receivables, net of ECL allowance | **415,631** | 413,035 |
| Other receivables, net of ECL allowance | **97,970** | 78,476 |
| | **513,601** | 491,511 |
| Deposits and prepayments | **54,761** | 43,584 |
| | **568,362** | 535,095 |

**Ageing analysis**

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

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Within 1 month | **2,429** | 4,110 |
| 1 to 3 months | **3,025** | 5,411 |
| 3 to 12 months | **341,717** | 8,192 |
| Over 12 months | **68,460** | 395,322 |
| | **415,631** | 413,035 |

Trade receivables are generally due within 30 to 365 days (2023: 30 to 365 days) from the date of billing. The ageing analysis of trade receivables (net of expected loss allowances) as at the end of the reporting period, based on due date, is as follows:

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Current (not past due) | **173,903** | 3,937 |
| Less than 1 month past due | **259** | 3,000 |
| 1 to 3 months past due | **124,663** | 5,438 |
| 3 to 12 months past due | **50,673** | 380,252 |
| Over 12 months past due | **66,133** | 20,408 |
| | **415,631** | 413,035 |

## 13. TRADE PAYABLES

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Trade payables | **194,450** | 70,856 |

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

| | **2024** | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Within 1 month | **38,023** | 18,363 |
| 1 to 3 months | **31,766** | 7,284 |
| 3 to 12 months | **58,514** | 10,662 |
| Over 12 months | **66,147** | 34,547 |
| | **194,450** | 70,856 |

The credit period on purchase of goods is generally 30 days.

## 14. BORROWINGS

| | 2024 | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Bank loans, secured *(Note (a))* | **719,763** | 367,308 |
| Other loan, secured *(Note (b))* | **23,924** | – |
| Other loan, unsecured *(Note (b))* | **1,000** | – |
| | **744,687** | 367,308 |

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

| | 2024 | 2023 |
|---|---|---|
| | ***HKD'000*** | *HKD'000* |
| Within 1 year | **490,321** | 337,901 |
| After 1 year but within 2 years | **248,446** | 17,082 |
| After 2 years but within 5 years | **5,920** | 12,325 |
| | **744,687** | 367,308 |
| Less: Amount due within one year or repayable on demand classified as current liabilities | **(490,321)** | (337,901) |
| Amount due for settlement after one year | **254,366** | 29,407 |

*Notes:*

(a) Bank loans comprise Bank Loan 1, Bank Loan 2, Bank Loan 3, Bank Loan 4, Bank Loan 5 and Bank Loan 6.

Bank Loan 1 with principal amount of RMB17,958,000 (equivalent to HKD19,038,000) (2023: RMB24,007,000 (equivalent to HKD26,316,000)) is secured by certain investment properties of the Group (see Note 8) and is repayable by instalments up to 2027. Interest is charged at Prime rate of The People's Bank of China ("**PBOC**") plus 30% of PBOC Prime rate per annum.

Bank Loan 2 with principal amount of RMB279,000,000 (equivalent to HKD295,768,000) (2023: RMB279,000,000 (equivalent to HKD305,840,000)) is secured by corporate guarantee executed by the Company and its certain subsidiaries and certain properties owned by an independent third party. As at 31 December 2024 and 2023, the entire loan was defaulted and repayable on demand. Interest is charged at a fixed rate of 5.4% per annum. Details of the default was set out in Note 1 and the Group has been actively negotiating with the lender of Bank Loan 2 for renewal and extension for repayments of overdue borrowing.

Bank Loan 3 with principal amount of RMB22,567,000 (equivalent to HKD23,924,000) (2023: RMB22,567,000 (equivalent to HKD24,738,000)) is secured by certain properties owned by independent third parties. Interest is charged at a fixed rate of 6.5% per annum. Bank Loan 3 was defaulted during the year ended 31 December 2023. During the year ended 31 December 2024, pursuant to a debt assignment agreement between the relevant bank (as an original lender) and assignee (the "**Assignee**"), the Bank Loan 3 was agreed to be assigned to the Assignee, an independent third party. Bank Loan 3 would be accordingly regarded as Other loan 1 below, which the terms of the loan remain unchanged except for the repayment term which is revised to be repayable on demand.

Bank Loan 4 with principal amount of RMB9,000,000 (equivalent to HKD9,540,000) (2023: RMB9,500,000 (equivalent to HKD10,414,000)) is secured by certain investment properties of the Group (see Note 8) and is repayable by instalments up to 2025. Interest is charged at a fixed rate of 5% per annum.

Bank Loan 5 with principal amount of RMB248,000,000 (equivalent to HKD262,905,000) is pledged with mining rights of the Group and is repayable by instalments up to 2026. Interest is charged at 6.378% to 9.6% per annum.

Bank Loan 6 with principal amount of RMB125,000,000 (equivalent to HKD132,512,000) is secured by corporate guarantee executed by a related company of the Group and pledged with the shares of a subsidiary of Zongchuan Investment. Bank Loan 6 is repayable in December 2025 and interest is charged at 6.378% per annum. The related company is controlled by the director of certain subsidiaries of the Company.

(b) Other loan 1 with principal amount of RMB22,567,000 (equivalent to HKD23,924,000), which was secured by certain properties owned by independent third parties, is repayable on demand and interest-bearing at a fixed rate of 6.50% per annum.

Other loan 2 with principal amount of HKD1,000,000, which was obtained from an independent third party during the year, is unsecured and repayable within one year. Interest is charged at a fixed rate of 18% per annum.

## 15. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

On 29 February 2024, the Group entered into a sale and purchase agreement to acquire 100% issued shares of Zongchuan Investment from an independent third party by allotting and issuing 950,000,000 consideration shares at of the Company.

On 31 December 2024, the acquisition was completed, and the consideration was HKD465,500,000, determined using the quoted price of HKD0.49 per consideration share at the date of acquisition.

Upon the completion of the transaction, Zongchuan Investment has become a wholly-owned subsidiary of the Company and the consolidated financial statements of the Zongchuan Investment and its subsidiaries ("**Zongchuan Investment Group**") were therefore consolidated into the consolidated financial statements of the Company. Zongchuan Investment Group is principally engaged in iron ore mining and milling in the PRC. The primary reason for the above acquisition is to scale up its existing supply chain business under its current business development strategy. The iron ore industry, as an upstream industry in the value chain of the supply chain services provided by the Group, is closely associated with the Group's existing operations. Through the Acquisition, the Group will be able to vertically integrate iron ore and iron concentrate powder production and sale business.

**Fair value of identifiable assets and liabilities of Zongchuan Investment Group at the date of acquisition**

| | *HKD'000* |
|---|---|
| **Assets** | |
| Property, plant and equipment | 581,480 |
| Right-of-use assets | 97,976 |
| Intangible assets | 205,796 |
| Inventories | 33,475 |
| Trade and other receivables* | 39,625 |
| Restricted cash | 6,996 |
| Cash and cash equivalents | 115 |
| **Liabilities** | |
| Trade payables | (140,812) |
| Other payables | (12,944) |
| Contract liabilities | (44,921) |
| Borrowings | (395,417) |
| Provision for rehabilitation | (10,917) |
| Tax payables | (1,868) |
| Deferred tax liabilities | (50,130) |
| Fair value of net identifiable assets acquired | 308,454 |
| Non-controlling interests# | (10,426) |
| Net identifiable assets attributable to owner of the Group | 298,028 |
| Goodwill arising on acquisition | 167,472 |
| Total consideration | 465,500 |

**Net cash inflow arising on acquisition**

| | *HKD'000* |
|---|---|
| Cash and cash equivalents acquired | 115 |

* The acquired receivables consider: (i) the fair value of the receivables; (ii) the gross contractual amounts receivable; and (iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected.

# Non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the identifiable net assets of the acquired subsidiary.

Goodwill arose from the factor caused by the significant increase in the closing price of the Company's shares during the period from the acquisition agreement date and acquisition date, details of which are explained in Note 9. Goodwill arising from the acquisition represents the control premium paid and the benefits of expected synergies, revenue growth, future market development to be achieved from the combination, and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Acquisition-related costs amounting to approximately HKD4,568,000 have been excluded from consideration transferred and have been recognised as an expense during the year, within the "administrative expense" line item in the consolidated statement of profit or loss and other comprehensive income.

The acquired business of Zongchuan Investment Group did not contribute any revenue or net profit or loss to the Group for the year ended 31 December 2024. Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2024 would have been approximately HKD888,832,000 and the amount of the loss for the year would have been approximately HKD331,568,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

## 16. LITIGATION AND CLAIM

During the year ended 31 December 2023, one of the subsidiaries of the Group, Shenzhen Golden Flourish Supply Chain Limited defaulted on repayment of interest-bearing bank borrowing from Shenzhen Branch of Hua Xia Bank Co., Ltd ("**Hua Xia Bank**") with aggregate principal amount and related aggregate interest amount of approximately RMB294,300,000 (equivalent to approximately HKD322,612,000) as at 31 December 2023. During the year ended 31 December 2024, the Company and its certain subsidiaries (the "**Defendants**") received a legal claim filed by Hua Xia Bank in respect of breach of loan agreements. The Defendants therefore received a court notice from the Shenzhen Intermediate People's Court that Hua Xia Bank requesting the Shenzhen Golden Flourish Supply Chain Limited to:

(1) repay the total amount of principal, interests and compound interests of approximately RMB318,794,000 (equivalent to approximately HKD337,954,000) immediately;

(2) bear the legal costs of approximately RMB1,461,000 (equivalent to approximately HKD1,549,000) incurred by Hua Xia Bank; and

(3) bear the other litigation costs in relation to the abovementioned litigation.

In October 2024, the Group received a written civil ruling issued by the Intermediate People's Court of Shenzhen, Guangdong in connection with the legal proceedings instituted by the lender to recover the outstanding amounts under the loan agreements. Pursuant to the civil ruling, the Group shall repay the principal, corresponding default interests and compound interests in connection with the default.

In view of the legal claim, the relevant bank borrowings are classified as current liabilities as at 31 December 2024. As at the approval date of these consolidated financial statements, the Group is still in the process of negotiation with Hua Xia Bank for extending the repayment date. Apart from the above written civil ruling, there is no further legal action taken by the Hua Xia Bank or the Intermediate People's Court of Shenzhen, Guangdong.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Baker Tilly Hong Kong Limited, the auditor of the Company (the "**Auditor**"), regarding the consolidated financial statements of the Group for the year ended 31 December 2024.

### Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Pak Tak International Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

***Scope limitation relating to appropriateness of the going concern basis of accounting***

As set out in Note 2(b) to the consolidated financial statements, during the year ended 31 December 2024, the Group recorded a net loss of approximately HKD229,199,000 and as at 31 December 2024, the Group's current liabilities exceeds current assets by approximately HKD216,047,000. As at 31 December 2024, the total principal of the Group's borrowings, amounting to approximately HKD490,321,000, along with aggregate compound and default interest payables of HKD45,176,000, are due within one year or are repayable on demand. These borrowings exceed the Group's cash and cash equivalents of approximately HKD21,723,000 as at 31 December 2024.

Since the prior year, the Group defaulted on the repayment of two bank borrowings with an aggregate principal amount of approximately RMB301,567,000 (equivalent to approximately HKD319,692,000) and the related aggregate amount of compound interests and default interests of approximately RMB41,711,000 (equivalent to approximately HKD44,217,000) as at 31 December 2024.

During the prior year, one of the banks has initiated litigation against the Group to recover the principal amount, related compound interests and default interests, (together referred as the "**Outstanding Amounts**") of approximately RMB318,794,000 (equivalent to approximately

HKD337,954,000) in aggregate as at 31 December 2024. In October 2024, the Group received a written civil ruling issued by the Intermediate People's Court of Shenzhen, Guangdong in connection with the legal proceedings instituted by the bank to recover the Outstanding Amounts. Pursuant to the civil ruling, the Group shall repay the Outstanding Amounts immediately. In addition, the Group has been ordered to pay the court handling fee and preservation order application fee totalling approximately RMB1,461,000 (equivalent to approximately HKD1,549,000).

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of these, the directors of the Company have prepared a cashflow forecast covering fifteen months from the end of the reporting period for the Group's going concern assessment (the "**Cashflow Forecast**") up to 31 March 2026. The validity of the going concern assumption based on which these consolidated financial statements have been prepared depends on the outcome of the measures to improve the Group's liquidity and financial position, i.e. whether (i) negotiation with the relevant banks for reaching an agreement on withdrawing the civil ruling, not demanding immediate repayment of existing bank borrowings due to the defaults, and revising the repayment terms to allow for instalments over an extended period over three years will be successful; (ii) shareholders' loan to finance the full repayment of Outstanding Amounts will be obtained from the substantial shareholder; (iii) substantial payments from customers will be successfully collected; (iv) additional banking facilities will be obtained by pledging certain of the Group's commercial properties; and (v) profits and cash inflows will be generated from the new business segment in iron ore mining and milling.

However, we have not been provided with sufficient supporting information of the key assumptions and inputs adopted in the Cashflow Forecast. In particular, in respect of (i) the negotiation with the banks, there was no available documents from management that we considered sufficiently reliable to enable us to assess the status and the likelihood of a successful negotiation with the banks; (ii) the measure to obtain shareholders' loan from the substantial shareholder, there was no information available from management that we considered sufficiently reliable that enables us to assess the financial position of the substantial shareholder and to evaluate whether the substantial shareholder has sufficient financial viability to provide the aforesaid financial support to the Group. There are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the successful implementation of the plans and measures as scheduled.

In view of the above scope limitation, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in preparation of these consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the Group's assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2024, the principal activities of the Group are: (i) supply chain business (included the iron ore mining and milling) (the "**Supply Chain Business**"), (ii) hotel management and catering services (the "**Hotel Management & Catering Services**") and (iii) property investment (the "**Property Investment**").

## BUSINESS REVIEW

### Supply Chain Business

For the year ended 31 December 2024, the performance of Supply Chain Business was improved, generating HKD575.9 million in revenue, a 93.1% increase compared to HKD298.3 million in 2023. This growth was primarily driven by recovering market conditions and a resurgence in consumption within the PRC, particularly in the manufacturing and construction sectors. The easing of supply chain difficulties contributed to higher demand for our services, enabling our customers in the supply chain sector to gradually recover and expand their operations.

During the year, the Group successfully recovered the outstanding receivables which were overdue since 2023. This achievement was facilitated by enhanced monitoring of customer payments and proactive arrangement with the customers to resolve overdue accounts. To further mitigate credit risks, the Group remains committed to regularly reviewing the recoverable amounts of trade receivables and closely monitoring collection efforts. As of 31 December 2024, expected credit losses on trade receivables decreased by over 90% compared to the prior year, reflecting a prudent approach of the Group to risk management.

During the year, the Group completed the acquisition of Zongchuan Investment Group as an extension of its Supply Chain Business. Through this acquisition, the Group will be able to vertically integrate Zongchuan Investment Group's iron ore and iron concentrate powder production and trading business. The existing metal trading business (including the distribution network) of the Group can thus be expanded to cover iron ore and iron concentrate powder, extending to a broader range of target customers.

The Group remains focused on optimising its supply chain operations, exploring new growth opportunities, and strengthening risk management to ensure sustainable growth in the future.

### Hotel Management & Catering Services

The Hotel Management & Catering Services segment faced a challenging operating environment in 2024, reflecting the normalisation of market conditions after a recovery in 2023. For the year ended 31 December 2024, the segment generated HKD96.2 million in revenue, representing a decrease of 20.8% compared to the previous year. The segment loss was HK$1.1 million, an improvement of HKD6.6 million compared to the previous year. This improvement was partly offset by the impact of the fair value loss on investment property and the write-off of property, plant and equipment during the year.

In response to these challenges, the Group implemented timely adjustments through a cautious and adaptive strategy, enhancing cost efficiency and optimising operational management. These measures were critical in mitigating the impact of declining revenue and ensuring the segment's resilience in the competitive market.

Throughout the year, the Group continuously improve the quality of its products and services to enhance customer satisfaction and strengthen its competitive position. Initiatives included introducing innovative menu offerings and organising special events or functions to attract a broader customer base. These efforts helped to maintain the Group's reputation for quality and reliability, even in a challenging market environment.

The Group remains committed to steady growth and long-term value creation in the Hotel Management & Catering Services segment. While the operating environment is expected to remain challenging, the Group will continue to prioritise operational efficiency, customer-centricity, and strategic adaptations to market conditions.

**Property Investment**

The Group has the investment properties located in Yunfu, PRC which generated HKD2.6 million in rental income and recorded the revaluation loss of HKD9.1 million for the year ended 31 December 2024. The Group will continue leasing out these investment properties to generate rental income, and may consider divesting them to improve working capital if and when it is deemed appropriate.

## FINANCIAL REVIEW

Below is an analysis of the Group's key financial information including but not limited to revenue, expenses and loss for the year, which reflects the financial position of the Group's business.

**Revenue**

For the year ended 31 December 2024, the Group recorded total revenue of HKD674.8 million, representing a 59.7% increase from HKD422.5 million in 2023. This growth was primarily attributable to the recovery performance in our Supply Chain Business, which generated revenue of HKD575.9 million, compared to HKD298.3 million in the previous year, reflecting the positive business performance and improved market conditions.

This growth was partially offset by the Hotel Management & Catering Services segment, which reported revenue of HKD96.2 million, a decrease of HKD25.3 million from HKD121.5 million in 2023, consistent with prevailing market trends in the hospitality sector.

Revenue from Property Investment and other business remained stable at HKD2.6 million, compared to HKD2.7 million in the prior year.

**Other net losses**

For the year ended 31 December 2024, the Group recorded other net losses of HKD3.0 million, compared to HKD25.0 million for the year ended 31 December 2023. The significant reduction was primarily due to the one-off loss on disposal of a property holding subsidiary of HKD24.0 million recognised in 2023.

**Expenses**

For the year ended 31 December 2024, the Group's direct costs and operating expenses increased significantly by HKD251.6 million to HKD640.8 million, compared to HKD389.2 million in 2023. This increase was primarily driven by the revenue growth in the Supply Chain Business, which accounted for over 85% of the Group's total revenue.

The Group recognised an impairment loss on goodwill of HKD164.6 million, which arose as the number of 950,000,000 consideration shares issued were valued at the Company's closing share price of HKD0.49 per share as of the acquisition date, exceeding the agreed price of HKD0.336 per share stipulated in the sale and purchase agreement. As a result, the goodwill recognised upon the acquisition of Zongchuan Investment Group was significantly higher than that expected at the date of the sale and purchase agreement thus resulted in the recognition of the impairment loss on the goodwill.

The Group's impairment losses under the expected credit loss model decreased significantly by HKD84.2 million, from HKD89.0 million for the year ended 31 December 2023 to a provision of HKD4.8 million for the year ended 31 December 2024. This reduction results from the adequacy of prior-year provisions, which minimised the need for additional allowances in the current period.

The Group's administrative expenses was increased from HKD43.6 million to HK$48.8 million, mainly attributable to professional fees incurred for the acquisition of Zongchuan Investment Group.

The Group's finance cost increased by HKD6.2 million from HKD25.1 million for the year ended 31 December 2023 to HKD31.3 million for the year ended 31 December 2024, mainly due to penalty charges associated with the default on bank borrowings from Hua Xia Bank.

**Loss for the year**

For the year ended 31 December 2024, the Group recorded a net loss of approximately HKD229.2 million as compared to a net loss of approximately HKD202.2 million for the year ended 31 December 2023. The increased loss was primarily driven by HKD164.6 million impairment loss on goodwill, which partially offset by a HKD40.9 million reduction in fair value losses on investment properties and a HKD84.2 million decrease in impairment losses under the expected credit loss model.

**Property, plant and equipment**

As of 31 December 2024, the Group's property, plant and equipment increased significantly to HKD591.6 million from HKD15.7 million for the year ended 31 December 2023, primarily due to the acquisition of Zongchuan Investment Group which contributed HKD581.5 million in such assets. The acquired assets mainly comprise mining structures of HKD295.8 million, property held for own use of HKD113.0 million, and plant and machinery of HKD97.6 million.

**Investment properties**

The Group's investment properties as of 31 December 2024 consisted of leased retail shops in Yunfu, PRC with a carrying value of HKD158.4 million (2023: HKD173.1 million) and a leased commercial building in Beihai City, Guangxi Province, PRC with a carrying value of HKD97.5 million (2023: HKD106.3 million). The Group recognised a fair value loss of HKD14.5 million (2023: HKD55.4 million) on these properties for the year, reflecting the ongoing market adjustments in PRC real estate sector.

**Intangible assets**

As of 31 December 2024, the Group's intangible assets increased significantly to HKD206.4 million (2023: HKD0.9 million), primarily attributable to the acquisition of Zongchuan Investment Group. This included mining rights of HKD205.8 million, representing a mining license for underground operations valid from year 2024 to year 2049.

**Trade and other receivables**

As at 31 December 2024, the Group's trade and other receivables amounted to HKD568.4 million (2023: HKD535.1 million), comprising trade receivables (net of ECL allowances) of HKD410.3 million (2023: HKD402.1 million) primarily from the Supply Chain Business, and other receivables of HKD98.0 million (2023: HKD78.5 million) primarily from supply chain financing arrangements. The trade and other receivables increase of HKD33.3 million was mainly due to the acquisition of Zongchuan Investment Group, which contributed HKD39.6 million to trade and other receivables.

Of the total trade receivables, HKD175.6 million (2023: HKD388.7 million) were past due within 12 months and HKD66.1 million (2023: HKD20.4 million) were past due beyond 12 months.

The Group maintains strict credit controls, with management actively monitoring receivable collections and market conditions while performing case-by-case recoverability assessments on overdue balances to mitigate credit risks.

**Restricted cash**

As at 31 December 2024, the Group held restricted cash of HKD7.0 million, primarily relating to deposits for rehabilitation obligations in the PRC in connection with acquisition of Zongchuan Investments.

**Trade payables**

As at 31 December 2024, the Group's trade payables significantly increased by HKD123.6 million from HKD70.9 million as at 31 December 2023 to HKD194.5 million. The increase was primarily due to the acquisition of Zongchuan Investment Group, with the payable balance mainly comprising the construction and mining costs related to iron ore mining and milling operations.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2024, the cash and cash equivalents of the Group were HKD21.7 million (2023: HKD85.4 million) and interest-bearing borrowings, including the borrowings and the lease liabilities were HKD759.4 million (2023: HKD381.6 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 31 December 2024 denominated in original currencies:

| | **As 31 December 2024** | |
|---|---|---|
| | ***HKD'000*** | ***RMB'000*** |
| Cash and cash equivalents | **2,429** | **18,200** |
| Borrowings | **1,000** | **701,525** |
| Lease liabilities | **2,832** | **11,166** |

| | As 31 December 2023 | |
|---|---|---|
| | *HKD'000* | *RMB'000* |
| Cash and cash equivalents | 52,656 | 29,836 |
| Borrowings | – | 335,074 |
| Lease liabilities | – | 13,012 |

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 31 December 2024, the gearing ratio, which is calculated on the basis of total debts (including interest-bearing borrowings and lease liabilities) over total shareholders' fund of the Group, was 127.9% (2023: 103.9%), while the liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 0.75 (2023: 1.25), which due to the higher trade payables and short-term borrowings associated with the acquisition.

## FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

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

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

## PLEDGES ON GROUP ASSETS

As at 31 December 2024, certain investment properties of the Group with an aggregate carrying amount of approximately HKD178.5 million (2023: HKD194.9 million) and mining rights of the Group with carrying amount of approximately HKD205.8 million (2023: nil) were pledged to banks for loans granted to the Group.

## FINANCIAL GUARANTEES PROVIDED

The Company had issued corporate guarantees amounting to HKD296 million (2023: HKD306 million) to banks in connection with facilities granted to certain subsidiaries within the Group.

During the year ended 31 December 2024, there is a claim made against the Company and its certain subsidiaries due to the breach of loan agreements which was secured by corporate guarantee executed by the Company. The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by subsidiaries of HKD296 million (2023: HKD306 million).

## CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 December 2024, the Group invested HKD3.1 million (2023: HKD1.3 million) on property, plant and equipment, which included leasehold improvements, furniture, fixtures and equipment and motor vehicles. As at 31 December 2024 and 2023, the Group had no capital commitments.

## SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group for the year ended 31 December 2024.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

On 29 February 2024, the Company, Zongchuan Investment Holding Co., Limited (宗傳投資控股有限公司) (the "**Vendor**") and Zongchuan Investment Group Co., Limited (宗傳投資集團有限公司) (the "**Zongchuan Investment Group**") entered into an agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the sale interest (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions of the agreement (the "**Acquisition**"). The Acquisition and transactions contemplated thereunder are subject to the approval by the shareholders of the Company approving the Acquisition at a special general meeting of the Company and the satisfaction of the conditions precedent. The above major transaction had been approved as the ordinary resolution by the shareholders of the Company at the special general meetings of the Company on 19 July 2024.

On 31 December 2024, the Group completed the Acquisition of 100% equity interest in Zongchuan Investment Group for the consideration of an aggregate sum of RMB289,860,000 by way of the issue of 950,000,000 consideration Shares at the issue price of HK$0.336 per consideration Share by the Company to the Vendor. Thereafter, Zongchuan Investment Group has become a wholly-owned subsidiary of the Company, and its consolidated financial statements were consolidated into the consolidated financial statements of the Company.

Save as disclosed above, there was no material acquisitions and disposals of subsidiaries and associated companies by the Group during the year ended 31 December 2024.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of approximately 606 employees (2023: approximately 300 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.

## DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2024 (2023: Nil).

## EVENTS AFTER THE REPORTING PERIOD

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

## FUTURE PROSPECT

Looking ahead to 2025, the macroeconomic environment is expected to remain complicated, challenging, and uncertain, with the global economic recovery facing multiple obstacles such as geopolitical conflicts, inflationary pressures, and the restructuring of supply chains. The Group will remain cautiously optimistic about its future prospects and is committed to responding the evolving market conditions with agility and strategic foresight.

For the Supply Chain Business, the Group will focus on strengthening its market position and diversifying its revenue streams. After the completion of the acquisition of iron mining and milling business, it represents a strategic move to enhance the Group's capabilities and achieve vertical integration and thereby gain a competitive advantage in terms of scale and operational synergies. By expanding its product offerings, the Group anticipates to achieve both business and market diversification, positioning itself to benefit from future economic opportunities within the industry.

The Group is committed to the continuous advancement of its Hotel Management and Catering Services Business. Despite the challenging operating environment, the Group will focus on improving operational efficiency, enhancing customer satisfaction, and exploring innovative ways to attract a broader customer base. By maintaining a customer-centric approach and adapting to market conditions, the Group aims to solidify its position in the hospitality sector and drive sustainable growth.

In addition, the Group has been actively negotiating with Hua Xia Bank for the renewal and extension of repayments for overdue bank borrowings, as well as the extension of loan agreements. These efforts are aimed at ensuring financial stability and providing the Group with the flexibility to pursue its strategic initiatives.

## 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 2024.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2024, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, except for the following deviation:

– Under code provision F.2.2, the chairman of the board should attend the annual general meeting. Mr. Liao Nangang, being the chairman of the Board was unable to attend the annual general meeting of the Company of 21 June 2024 (the "**2024 AGM**") due to the other business arrangement. Mr. Liao will endeavour to attend all future general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Liao had entrusted Ms. Qian Pu, being executive Director, to respond to shareholders' concerns (if any) on his behalf at the 2024 AGM.

– Pursuant to Rule 3.10(1) and 3.10A of the Listing Rules, the board of a listed issuer must include at least three independent non-executive directors ("**INED(s)**") and these INEDs must represent at least one-third of the board, and pursuant to Rule 3.21 of the Listing Rules, the audit committee of a listed issuer must comprise a minimum of three members and the majority of the audit committee members must be INEDs. Following the resignation of Mr. Chan Kin Sang on 31 December 2024, the number of INEDs and the composition of the audit committee of the Company (the "**Audit Committee**") have failed to meet the relevant requirements under the Listing Rules. In order to comply with the Listing Rules and the terms of reference of the Audit Committee, the Board is in the process of identifying suitable candidate(s) to fill the vacancy of the positions of INED and the member of the Audit Committee, and will use its best endeavours to ensure that the suitable candidate(s) is/are appointed as soon as possible. The Company will make further announcement(s) as and when appropriate.

## COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Model Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Having made a specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the year ended 31 December 2024.

## AUDIT COMMITTEE

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 annual results announcement for the year ended 31 December 2024 of the Group.

## 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 the shareholders of the Company and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.paktakintl.com in due course.

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

Hong Kong, 28 March 2025

*As at the date of this announcement, the Board comprises Mr. Liao Nangang, Ms. Qian Pu, Mr. Wang Jian and Mr. Zhou Yijie as executive Directors; Mr. Liu Xiaowei as non-executive Director; and Ms. Chan Ching Yi and Mr. Zheng Suijun as independent non-executive Directors.*