



百德國際有限公司
Pak Tak International Limited

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



2020
INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Other Information	9
Report on Review of Interim Condensed Consolidated Financial Statements	14
Condensed Consolidated Statement of Profit or Loss	15
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	16
Consolidated Statement of Financial Position	17
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to Interim Financial Information	21

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jian
(Chairman and Chief Executive Officer)
Mr. Feng Guoming
Ms. Qian Pu

Non-executive Directors

Mr. Law Fei Shing
Mr. Shin Yick Fabian

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

REMUNERATION COMMITTEE

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

STRATEGIC COMMITTEE

Mr. Wang Jian *(Chairman)*
Ms. Qian Pu
Mr. Shin Yick Fabian

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Wang Jian *(Chairman)*
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

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the principal activities of Pak Tak International Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are: (i) supply chain business (the “**Supply Chain Business**”), (ii) leasing business (the “**Leasing Business**”), (iii) property investment and consultancy (the “**Property Investment**”), (iv) money lending business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “**Money Lending Business**”) and (v) securities investment (the “**Securities Investment**”).

BUSINESS REVIEW

Supply Chain Business

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

Leasing Business

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

Property Investment

During the six months ended 30 June 2020, the investment properties located in Yunfu, PRC recorded a revenue of rental income of HKD1.9 million. As at 30 June 2020, the fair value of the above investment properties amounted to HK\$197.1 million, representing a fair value gain of HKD9.7 million. The Group will continue to lease out the investment properties for rental income and the Group may realise its properties investment to enhance the Group’s working capital if necessary and when timing is appropriate.

Money Lending Business

As at 30 June 2020, loans receivables of the Money Lending Business amounted to HKD41.0 million, which are repayable within a year, and recognised loan interest income and handling fee income of HKD2.5 million and HKD0.7 million respectively for the six months ended 30 June 2020. The rate of return of the Money Lending Business is in the range of 10% to 18%. All the loan receivables are repayable according to the repayment schedules. In order to ensure healthy development for Money Lending Business, the Group will continue to adopt a prudent risk management policy, and also will carry out the regular review of credit risk over the existing borrowers.

Securities Investment

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

FINANCIAL REVIEW

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

Revenue

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

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

Expenses

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

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

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

Profit for the period

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

Other receivables, prepayments and deposits

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

Financial assets at fair value through profit or loss

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

Trade and bills payables

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

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

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

PLEDGES ON GROUP ASSETS

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

FINANCIAL GUARANTEES PROVIDED

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

CAPITAL EXPENDITURES AND COMMITMENTS

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

SIGNIFICANT INVESTMENTS HELD

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of approximately 50 employees (30 June 2019: approximately 40 employees). Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of different positions.

INTERIM DIVIDEND

The directors of the Company (the "Directors") did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: HKD: nil).

EVENTS AFTER THE REPORTING PERIOD

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

FUTURE PROSPECTS

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

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

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

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares (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. Feng Guoming (" Mr. Feng ") <i>(Note 3)</i>	812,000,000	Interests of controlled corporation	28.00%
Mr. Wang Jian (" Mr. Wang ") <i>(Note 4)</i>	546,953,000	Interest of controlled corporation	18.86%

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 2020, which was 2,900,000,000.
3. These 812,000,000 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. Feng. Accordingly, Beyond Glory and Mr. Feng 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 2020, 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 2020, 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>	812,000,000	Beneficial owner	28.00%
Beyond Glory <i>(Note 3)</i>	812,000,000	Interest of controlled corporation	28.00%
Massive Thriving <i>(Note 4)</i>	546,953,000	Beneficial owner	18.86%
Mr. Huang Shilong	275,500,000	Beneficial owner	9.50%
Mr. Yao Jianhui ("Mr. Yao") <i>(Note 5)</i>	273,387,950	Interest of controlled corporation	9.43%
Bao Xin International Group Limited ("BXIG") <i>(Note 5)</i>	273,387,950	Interest of controlled corporation	9.43%
Tinmark Development Limited ("TDL") <i>(Note 5)</i>	273,387,950	Interest of controlled corporation	9.43%
Glory Sun Financial Group Limited ("GSFG") <i>(Note 5)</i>	273,387,950	Interest of controlled corporation	9.43%
Glory Sun Financial Holdings Limited ("GSFH") <i>(Note 5)</i>	273,387,950	Interest of controlled corporation	9.43%
Great Sphere Developments Limited ("GSDL") <i>(Note 5)</i>	273,387,950	Interest of controlled corporation	9.43%

Name of Shareholders	Number of Shares Held <i>(Note 1)</i>	Capacity	Approximate % of Shareholding <i>(Note 2)</i>
Stellar Result Limited ("SRL") <i>(Note 5)</i>	203,377,950	Interest of controlled corporation	7.01%
Glory Sun Credit Limited ("GSCL") <i>(Note 5)</i>	203,377,950	Person having a security interest in Shares	7.01%

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 2020, which was 2,900,000,000.
3. These 812,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly owned by Mr. Feng. Accordingly, Beyond Glory and Mr. Feng 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 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.
5. According to the corporate substantial shareholder notices filed on 27 December 2019, 3 January 2020 and 6 January 2020 by each of GSCL, SRL, TDL, GSDL, GSFH, GSFG, Bao Xin Development Limited ("BXDL") and BXIG; and the individual substantial shareholder notice filed on 3 January 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 44.30% in aggregate by BXDL and TDL, which are wholly-owned by BXIG. Glory Sun Securities Limited ("GSSL"), which is directly interested in 70,010,000 Shares, is indirectly owned by BXIG, through TDL, GSFG, GSDL and GSFH, among others. In addition, BXIG is wholly-owned by Mr. Yao. Accordingly, Mr. Yao is deemed to be interested in all 273,387,950 Shares in which GSCL and GSSL are directly interested by virtue of SFO.

Save as disclosed above, as at 30 June 2020, 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. 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 2020.

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 2019 annual report of the Company are set out below:

Directors	Details of Changes
Mr. Chan Kin Sang ("Mr. Chan")	<ul style="list-style-type: none">— Resigned as a non-executive director of Pan Hong Holdings Limited (stock code: P36), a company listed on the main board of the Singapore Exchange Limited, on 31 March 2020; and— Appointed as a non-executive director of Sino Harbour Holdings Group Limited (stock code: 1663), a company listed on the Main Board of the Stock Exchange, on 1 April 2020.
Ms. Qian Pu ("Ms. Qian")	— Upon recommendation of remuneration committee of the Company and the approval of the Directors of the board (the "Board"), the emoluments of Ms. Qian has been increased from HK\$429,000 per annum to HK\$1,248,000 per annum and discretionary bonus in accordance with her service contract, with effect from 1 April 2020.

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 2020, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

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

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Mr. Law Fei Shing ("Mr. Law"), who is a non-executive Director of the Company, was not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Bye-laws of the Company. When Mr. Law is due for re-election, the nomination committee of the Company and the Board will review his performance and consider whether a recommendation should be made

to the shareholders of the Company on his re-election at the annual general meeting in accordance with the Company's policy on selection and nomination of Directors. As such, the Board is of the view that sufficient safeguards are in place to ensure that Mr. Law will remain suitable for the directorship of the Company.

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

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

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 2020.

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 2020 (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 2020 and up to the date of this report.

By Order of the Board
Pak Tak International Limited
Wang Jian
Chairman and Chief Executive Officer

Hong Kong, 28 August 2020

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 15 to 44 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 2020 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 months 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. 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 express 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 Hong Kong Institute of Certified Public Accountants. 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 2020 is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 28 August 2020

Choi Kwong Yu

Practising certificate number P05071

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
	Note	2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Continuing operations			
Revenue	4	1,164,552	431,680
Other revenue	6	8,913	5,471
Other net gains/(losses)	6	336	(576)
Fair value gain on investment properties	13	9,698	8,110
Direct costs and operating expenses		(1,131,342)	(413,254)
Administrative expenses		(12,351)	(11,475)
Profit from operations	7	39,806	19,956
Finance costs	8	(15,341)	(6,216)
Share of results of an associate		-	7,939
Profit before taxation		24,465	21,679
Income tax expense	9	(7,585)	(3,652)
Profit from continuing operations		16,880	18,027
Discontinued operation			
Profit for the period from discontinued operation	5(a)	-	23,030
Profit for the period		16,880	41,057
Attributable to equity shareholders of the Company:			
— from continuing operations		16,880	18,027
— from discontinued operation		-	23,030
		16,880	41,057
Earnings per share			
From continuing and discontinued operations	10		
— Basic and diluted (in HK cents)		0.58	1.42
From continuing operations			
— Basic and diluted (in HK cents)		0.58	0.62

The notes on pages 21 to 44 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 2020

	Note	Six months ended 30 June	
		2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Profit for the period		16,880	41,057
Other comprehensive (loss)/income for the period:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		(7,346)	(1,257)
— Release of exchange reserve upon disposal of subsidiaries	5(a)	—	4,078
— Release of exchange reserve upon deemed disposal of an associate	14	—	184
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
— Fair value change of financial assets at fair value through other comprehensive income, net of tax		(19,469)	(7,760)
Total comprehensive (loss)/income for the period		(9,935)	36,302
Attributable to equity shareholders of the Company		(9,935)	36,302

The notes on pages 21 to 44 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		At 30 June 2020 <i>HKD'000</i> (unaudited)	At 31 December 2019 <i>HKD'000</i> (audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	12	73,892	69,860
Investment properties	13	197,059	191,056
Finance lease receivables	16	28,051	44,327
Financial assets at fair value through other comprehensive income	15	219,191	238,660
		518,193	543,903
Current assets			
Inventories		–	1,961
Trade receivables	17	364,879	333,936
Loan receivables	18	41,026	14,995
Current portion of finance lease receivables	16	15,061	30,548
Other receivables, prepayments and deposits		158,904	41,493
Financial assets at fair value through profit or loss	19	247,851	243
Pledged bank deposits		43,848	–
Cash and cash equivalents		47,084	105,034
		918,653	528,210
Current liabilities			
Trade and bills payables	20	410,558	65,301
Other payables and accrued charges		33,184	20,031
Contract liabilities		17,064	3,756
Bonds	21	189,921	189,572
Borrowings and overdraft	22	235,597	236,082
Lease liabilities		1,890	–
Tax payable		5,054	6,342
		893,268	521,084
Net current assets		25,385	7,126
Total assets less current liabilities		543,578	551,029

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

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

Approved and authorised for issue by the board of directors on 28 August 2020.

Wang Jian
Director

Qian Pu
Director

The notes on pages 21 to 44 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company							Non-controlling interests HKD'000	Total equity HKD'000
	Note	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		
Balance at 1 January 2019 (audited)		58,000	362,134	(33,419)	(6,568)	77,646	457,793	2	457,795
Changes in equity for the six months ended 30 June 2019:									
Profit for the period		-	-	-	-	41,057	41,057	-	41,057
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		-	-	-	(1,257)	-	(1,257)	-	(1,257)
Release of exchange reserve upon disposal of subsidiaries	5(a)	-	-	-	4,078	-	4,078	-	4,078
Release of exchange reserve upon deemed disposal of an associate	14	-	-	-	184	-	184	-	184
Fair value change of financial assets at fair value through other comprehensive income, net of tax		-	-	(7,760)	-	-	(7,760)	-	(7,760)
Total comprehensive (loss)/income for the period		-	-	(7,760)	3,005	41,057	36,302	-	36,302
Balance at 30 June 2019 (unaudited)		<u>58,000</u>	<u>362,134</u>	<u>(41,179)</u>	<u>(3,563)</u>	<u>118,703</u>	<u>494,095</u>	<u>2</u>	<u>494,097</u>
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>

The notes on pages 21 to 44 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	243,872	(18,658)
Investing activities		
Purchase of property, plant and equipment	(22)	(34)
Purchase of financial assets at fair value through profit or loss	(246,645)	–
Placement of pledged bank deposits	(43,848)	–
Net cash outflows arising on disposal of subsidiaries	–	(7,940)
Other investing cash flows	5,148	5,272
Net cash used in investing activities	(285,367)	(2,702)
Financing activities		
Capital element of lease rental paid	(755)	–
Interest element of lease rental paid	(156)	–
Proceeds from new loans	220,234	191,183
Repayment of loans	(149,939)	(181,360)
Repayment to a shareholder	(70,000)	–
Other financing cash flows	(7,955)	(2,040)
Net cash (used in)/generated from financing activities	(8,571)	7,783
Net decrease in cash and cash equivalents	(50,066)	(13,577)
Cash and cash equivalents at the beginning of the period	105,034	121,287
Effect of foreign exchange rate changes	(8,181)	2,742
Cash and cash equivalents at the end of the period	46,787	110,452
Analysis of cash and cash equivalents:		
Cash and cash equivalents in the condensed consolidated statement of financial position	47,084	110,452
Bank overdraft	(297)	–
	46,787	110,452

The notes on pages 21 to 44 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 and securities investment.

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. The wide spread of the Novel Coronavirus in 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 minimize the 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.

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 2019 which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of these changes in accounting policies are set out 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 HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

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

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

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

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

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

4. SEGMENT REPORTING

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

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

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

After the disposal of subsidiaries as described in Note 5(a), the manufacturing and trading of garment was discontinued from 31 May 2019.

The Group’s operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the condensed consolidated financial statements. During the prior period, the Group renamed one of the segments, namely, general trading to supply chain business in order to reflect the nature of this segment more appropriately. There is no change in comparative figures as a result of the change in name of this segment.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. SEGMENT REPORTING (Continued)

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. SEGMENT REPORTING (Continued)

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. SEGMENT REPORTING (Continued)

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

	Continuing operations					Discontinued operation		Total HKD'000
	Supply chain business HKD'000	Leasing business HKD'000	Property investment and consultancy HKD'000	Money lending business HKD'000	Securities investment HKD'000	Subtotal HKD'000	Manufacturing and trading of garment HKD'000	
Six months ended								
30 June 2019 (unaudited)								
Disaggregated by timing of revenue recognition								
Point in time	421,725	–	–	2,400	–	424,125	62,735	486,860
Over time	–	3,570	2,271	1,714	–	7,555	8	7,563
Revenue from external customers	421,725	3,570	2,271	4,114	–	431,680	62,743	494,423
Disaggregation of revenue								
Revenue from contracts with customers within the scope of HKFRS 15	421,725	–	–	4,114	–	425,839	62,743	488,582
Revenue from other sources	–	3,570	2,271	–	–	5,841	–	5,841
Reportable segment revenue	421,725	3,570	2,271	4,114	–	431,680	62,743	494,423
Segment result	6,615	842	10,061	527	77	18,122	25,311	43,433
Reconciliation:								
Share of results of an associate								7,939
Interest income								199
Other revenue and other net gains								6,193
Corporate and other unallocated expenses								(2,983)
Finance costs								(7,308)
Profit before taxation								47,473
Income tax expense								(6,416)
Profit for the period								41,057

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

4. SEGMENT REPORTING (Continued)

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

	Continuing operations					Total HKD'000
	Supply chain business HKD'000	Leasing business HKD'000	Property investment and consultancy HKD'000	Money lending business HKD'000	Securities investment HKD'000	
At 30 June 2020 (unaudited)						
Segment assets	767,683	46,860	201,285	45,565	219,538	1,280,931
Reconciliation:						
Corporate and other unallocated assets						155,915
Total assets						1,436,846
Segment liabilities	614,924	7,626	38,517	298	-	661,365
Reconciliation:						
Deferred tax liabilities						22,635
Bonds						189,921
Corporate and other unallocated liabilities						78,399
Total liabilities						952,320
	Continuing operations					
	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 31 December 2019 (audited)						
Segment assets	390,657	76,284	194,968	60,142	238,966	961,017
Reconciliation:						
Corporate and other unallocated assets						111,096
Total assets						1,072,113
Segment liabilities	234,370	8,643	41,123	111	-	284,247
Reconciliation:						
Deferred tax liabilities						20,638
Bonds						189,572
Corporate and other unallocated liabilities						83,195
Total liabilities						577,652

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

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

The results from the discontinued manufacturing and trading of garment for period from 1 January to 31 May 2019 are analysed below.

Results of discontinued operation

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

The net cash inflows incurred by discontinued operation

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

Disposal of subsidiaries

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (Continued)

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

6. OTHER REVENUE AND OTHER NET GAINS/(LOSSES)

	Six months ended 30 June	
	2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Other revenue		
Dividend income	5,148	5,272
Interest income	322	199
Interest income from supply chain financing agreement	1,923	–
Handling fee income from supply chain financing agreement	1,517	–
Other income	3	–
	<u>8,913</u>	<u>5,471</u>
Other net gains/(losses)		
Exchange gain, net	2	–
Loss on disposal of property, plant and equipment	(8)	–
Gain on disposal of subsidiaries (see Note 5(b))	–	758
Loss on deemed disposal of an associate (see Note 14)	–	(1,411)
Loss on finance lease receivables	(628)	–
Fair value change of financial assets at fair value through profit or loss	970	77
	<u>336</u>	<u>(576)</u>

7. PROFIT FROM OPERATIONS

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

8. FINANCE COSTS

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

9. INCOME TAX EXPENSE

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

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

The subsidiaries in the PRC are subject to a corporation income tax rate of 25%. Provision for income tax has been made by the Company's subsidiaries for the six months ended 30 June 2020 and 30 June 2019.

10. EARNINGS PER SHARE

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

11. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

12. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

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

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

As disclosed in Note 3, the Group has early adopted the Amendment to HKFRS 16, Leases, COVID-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment.

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

(b) Acquisitions and disposals of owned assets

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

13. INVESTMENT PROPERTIES

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
At the beginning of the period/year	191,056	186,683
Exchange realignment	(3,695)	(3,580)
Fair value gain	9,698	7,953
At the end of the period/year	<u>197,059</u>	<u>191,056</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 2020, the Group's investment properties with an aggregate carrying amount of HKD197,059,000 (31 December 2019: HKD191,056,000), were pledged to a bank for bank loans and bank facilities granted to the Group (Note 22).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

13. INVESTMENT PROPERTIES (Continued)

Fair value measurement of the Group's investment properties

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

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

The fair value of the Group's investment properties at 30 June 2020 has been arrived at on the basis of valuation by 深圳市國正信資產評估土地房地產估價有限公司 (31 December 2019: 深圳市國正信資產評估土地房地產估價有限公司), an independent qualified professional valuer not connected with the Group.

The valuation of the Group's investment properties at 30 June 2020 and 31 December 2019 are derived by recent comparable sales transactions in the relevant property market in the PRC together with unobservable inputs and are therefore grouped into Level 3 of fair value measurement. During the reporting period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

14. INVESTMENT IN AN ASSOCIATE

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

14. INVESTMENT IN AN ASSOCIATE (Continued)

On 28 June 2019, Golden Affluent allotted and issued 23,551,034 new ordinary shares by way of placing of new shares and the Group's shareholding interest in this associate was diluted from 28% to 19%.

As a result, the Group was deemed to have disposed of 9% shareholding interest in Golden Affluent and ceased to have significant influence over Golden Affluent. The Group has then accounted for the remaining 19% shareholding interest in Golden Affluent as financial asset at fair value through other comprehensive income whose fair value at the date of deemed disposal was approximately HKD170,682,000. The deemed disposal has resulted in the recognition of a loss of HKD1,411,000 on deemed disposal in the profit or loss for the six months ended 30 June 2019.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

Remark:

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

16. FINANCE LEASE RECEIVABLES

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Non-current finance lease receivables	28,490	44,894
Current finance lease receivables	15,298	30,942
	43,788	75,836
Less: Expected credit loss allowance	(676)	(961)
	43,112	74,875

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

	Minimum lease payments receivable		Present value of minimum lease payments	
	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Within 1 year	21,335	41,209	15,298	30,942
After 1 year but within 2 years	18,794	33,069	17,719	31,919
After 2 years but within 5 years	6,090	13,773	10,771	12,975
	46,219	88,051	43,788	75,836
Less: Unearned interest income	(2,431)	(12,215)	-	-
Present value of minimum lease payments receivable	43,788	75,836	43,788	75,836

Certain motor vehicles and machineries are leased out under finance leases with lease terms of 24 to 48 months (31 December 2019: 24 to 48 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately 6.2% to 12% (31 December 2019: 6.2% to 12%) per annum.

Finance lease receivables are secured over the motor vehicles and machineries leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. The finance lease receivables at 30 June 2020 and 31 December 2019 are neither past due nor impaired.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

17. TRADE RECEIVABLES

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

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Within 1 month	228,271	228,818
1 to 3 months	82,503	103,066
3 to 12 months	54,007	1,884
Over 12 months	98	168
	<u>364,879</u>	<u>333,936</u>

18. LOAN RECEIVABLES

The loan receivables from the money lending line of business is provided to independent third parties after a credit assessment on the borrowers, bear interest ranging from 10% to 18% per annum and repayable within 1 year (31 December 2019: interest ranging from 8% to 12% per annum and repayable within 1 year).

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

20. TRADE AND BILLS PAYABLES

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

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

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

21. BONDS

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

22. BORROWINGS AND OVERDRAFT

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

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

	At 30 June 2020 HKD'000 (unaudited)	At 31 December 2019 HKD'000 (audited)
Within 1 year	235,597	236,082
After 1 year but within 2 years	4,377	4,321
After 2 years but within 5 years	28,780	31,609
	<u>268,754</u>	<u>272,012</u>
Less: Amount due within one year or repayable on demand classified as current liabilities	<u>(235,597)</u>	<u>(236,082)</u>
	<u>33,157</u>	<u>35,930</u>

Notes:

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

23. PLEDGE OF ASSETS

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

- (i) The investment properties of the Group with carrying amount of approximately HKD197,059,000 (31 December 2019: approximately HKD191,056,000) have been pledged to secure bank loans (Note 22) granted to the Group and pledged to secure for bank facilities.
- (ii) The leasehold property in property, plant and equipment of the Group with carrying amount of approximately HKD68,307,000 (31 December 2019: nil) were pledged to a third party to secure for parts of the other borrowings.
- (iii) Financial assets at fair value through other comprehensive income with carrying amount of approximately HKD16,608,000 (31 December 2019: nil) were pledged to a third party to secure for parts of the other borrowings.
- (iv) The structured deposits and pledged bank deposits of the Group entered with financial institutions during the period with carrying amount of approximately HKD247,716,000 (31 December 2019: nil) and HKD43,848,000 (31 December 2019: nil) respectively, were pledged as guarantee deposits for bills payables to suppliers to the Group.

24. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Salaries, allowances and other benefits	2,465	2,705
Contributions to defined contribution retirement plan	77	102
	2,542	2,807

(b) Other related party transactions

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

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 30 June 2020 (unaudited) categorised into			Fair value at 31 December 2019 HKD'000	Fair value measurements as at 31 December 2019 (audited) categorised into		
	Fair value at 30 June 2020 HKD'000	Level 1 HKD'000	Level 2 HKD'000		Level 3 HKD'000	Level 1 HKD'000	Level 3 HKD'000
	Recurring fair value measurements financial assets:						
Financial assets measured at FVOCI							
— Listed equity securities	43,768	43,768	—	63,548	63,548	—	
— Unlisted equity securities	175,423	—	—	175,423	—	175,112	
Financial assets measured at FVPL							
— Listed equity securities	135	135	—	243	243	—	
— Structured deposits	247,716	—	247,716	—	—	—	

During the six months end 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: 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.

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 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.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity instrument	Discounted cash flow model	Discount rate	10.6% (2019: 10.6%)

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 2020, 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 HKD2,397,000/HKD2,331,000 (31 December 2019: increased HKD2,000,000/decreased HKD1,949,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

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

	Six months ended 30 June	
	2020 HKD'000 (unaudited)	2019 HKD'000 (unaudited)
Unquoted equity investments:		
At 1 January	175,112	–
Change in fair value recognised in other comprehensive income during the period	311	–
Transferred from investment in an associate	–	170,682
At 30 June	<u>175,423</u>	<u>170,682</u>

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 2020 and 31 December 2019.

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) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(b) 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION *(Continued)*

26. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) **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.

(d) **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.

(e) **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)*

(f) 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 other receivables 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.

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 17 and Note 16. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(g) 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.