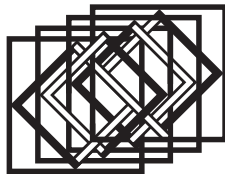


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PAK TAK INTERNATIONAL LIMITED

(百 德 國 際 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 together with the audited comparative figures for the year ended 31 December 2022 as follows:

** for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	<i>Note</i>	<i>HKD'000</i>	<i>HKD'000</i>
Revenue	2	422,492	726,536
Other revenue	3	5,274	39,934
Other net (losses)/gains	3	(24,962)	1,457
Fair value loss on investment properties	8	(55,414)	(406)
Impairment losses under expected credit loss model, net of reversal		(88,984)	(19,510)
Direct costs and operating expenses		(389,177)	(689,812)
Administrative expenses		<u>(43,612)</u>	<u>(43,174)</u>
(Loss)/profit from operations		(174,383)	15,025
Finance costs	4(a)	<u>(25,068)</u>	<u>(31,863)</u>
Loss before taxation	4	(199,451)	(16,838)
Income tax (expense)/credit	5	<u>(2,699)</u>	<u>2,577</u>
Loss for the year		<u>(202,150)</u>	<u>(14,261)</u>
Attributable to:			
– Equity shareholders of the Company		(201,747)	(14,259)
– Non-controlling interests		<u>(403)</u>	<u>(2)</u>
Loss for the year		<u>(202,150)</u>	<u>(14,261)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	6		
– Basic and diluted		<u>(5.09)</u>	<u>(0.37)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Loss for the year	(202,150)	(14,261)
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	(11,595)	(43,799)
Items that will not be reclassified subsequently to profit or loss:		
– Fair value loss of financial assets at fair value through other comprehensive income, net of nil tax	<u>(2,994)</u>	<u>(19,433)</u>
Total comprehensive loss for the year	<u>(216,739)</u>	<u>(77,493)</u>
Attributable to:		
Equity shareholders of the Company	(216,340)	(77,491)
Non-controlling interests	<u>(399)</u>	<u>(2)</u>
	<u>(216,739)</u>	<u>(77,493)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Note</i>	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Non-current assets			
Property, plant and equipment		15,711	87,932
Right-of-use assets		20,381	17,440
Investment properties	8	279,418	344,108
Intangible assets		889	1,660
Deferred tax assets		8,080	6,509
Financial assets at fair value through other comprehensive income		<u>1,478</u>	<u>4,472</u>
		<u>325,957</u>	<u>462,121</u>
Current assets			
Inventories		1,769	1,892
Trade and other receivables	10	535,095	759,107
Finance lease receivables	9	–	27,650
Financial assets at fair value through profit or loss		57	434
Pledged bank deposits		–	38,919
Cash and cash equivalents		<u>85,362</u>	<u>37,684</u>
		<u>622,283</u>	<u>865,686</u>
Current liabilities			
Trade and bills payables	11	70,856	152,386
Other payables and accrued charges		76,442	82,937
Contract liabilities		11,422	14,847
Borrowings	12	337,901	415,474
Lease liabilities		2,023	2,603
Tax payable		<u>26</u>	<u>657</u>
		<u>498,670</u>	<u>668,904</u>
Net current assets		<u>123,613</u>	<u>196,782</u>
Total assets less current liabilities		<u>449,570</u>	<u>658,903</u>

	<i>Note</i>	2023 <i>HKD '000</i>	2022 <i>HKD '000</i>
Non-current liabilities			
Borrowings	<i>12</i>	29,407	32,976
Lease liabilities		12,241	19,874
Deferred tax liabilities		40,668	37,130
		<u>82,316</u>	<u>89,980</u>
NET ASSETS		<u>367,254</u>	<u>568,923</u>
CAPITAL AND RESERVES			
Share capital		93,600	78,000
Reserves		273,654	490,923
TOTAL EQUITY		<u>367,254</u>	<u>568,923</u>

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public 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 of Hong Kong Limited (the “**Stock Exchange**”).

Going concern assumption

During the year ended 31 December 2023, the Group recorded a net loss of approximately HKD202,150,000 and defaulted on repayment of two interest-bearing bank borrowings with aggregate principal amount of approximately RMB301,567,000 (equivalent to approximately HKD330,578,000) and related aggregated interest amount of approximately RMB15,271,000 (equivalent to approximately HKD16,740,000) which these bank borrowings became immediately repayable on demand. One of the banks has commenced litigation against the Group to recover the principal amount and related interest amount of the borrowing amounted to approximately RMB294,300,000 (equivalent to approximately HKD322,612,000). These bank borrowings exceed the Group’s cash and cash equivalents of approximately HKD85,362,000 as at 31 December 2023.

In view of these circumstances, 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 are formulated to mitigate the liquidity pressure, to improve the financial position of the Group, and to remediate the overdue repayments to the lenders:

- (i) The Group has been actively negotiating with the relevant banks for revising the repayment terms by instalment up to over the years and not demanding immediate repayment of existing bank borrowings due to the breach of loan covenants;
- (ii) The Group has developed a plan to obtain additional fundings from the substantial shareholders of the Company by way of shareholders’ loan. Such funding will be used to finance the repayment of principal and interest of the defaulted bank borrowings; and
- (iii) The Group has been actively implemented measures to speed up the collection of substantial payments from customers.

The directors of the Company have prepared the Group’s cash flow projections which cover a period of not less than twelve months from 31 December 2023. The directors of the Company are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, since the execution of the above plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issuance of the consolidated financial statements, material uncertainties exist as to whether the management of the Group will be able to achieve its plans and measures as mentioned above. 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 revising the repayment terms by instalment up to over the years and not demanding immediate repayment of existing bank borrowings due to the breach of loan covenants;
- (ii) Successfully obtaining additional funds from the substantial shareholders by way of shareholders' loan; and
- (iii) Successfully collecting substantial payments from customers.

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 reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, or to recognise a liability for any contractual commitments that might have become onerous, where appropriate. The effect of these adjustments has not been reflected in the consolidated financial statements.

Changes in accounting policies

In the current year, the Group has applied the amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International tax reform – Pillar Two model rules

Except as described below, the application of the amendments to HKFRSs 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.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Impact on application of Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group’s approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Impact on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings/accumulated losses or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The application of the amendments has no material impact on the Group’s financial position and performance.

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:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines (<i>Note</i>)		
– Sales of goods from supply chain business	294,706	626,693
– Sales of food and beverage products from hotel management and catering services	100,403	69,256
– Hotel room service income	–	5,121
– Management fee income from hotel management services	15,030	12,469
– Handling fee income from supply chain financing arrangements	120	719
	<u>410,259</u>	<u>714,258</u>
Revenue from other sources		
Interest income from supply chain financing arrangements	3,458	4,804
Finance lease income	–	2,254
Gross rentals from investment properties		
– Lease payment that are fixed	6,356	5,220
Rental income from sublease	2,419	–
	<u>12,233</u>	<u>12,278</u>
	<u><u>422,492</u></u>	<u><u>726,536</u></u>

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)/GAINS

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Other revenue		
Dividend income from equity investments	–	35,803
Interest income	3,207	3,188
Write-back of trade payables	805	–
Government grants (<i>Note</i>)	–	168
Sundry income	1,262	775
	<u>5,274</u>	<u>39,934</u>
Other net (losses)/gains		
Loss on disposal of property, plant and equipment	(533)	(4)
Loss on disposal of subsidiaries	(24,017)	–
Fair value (loss)/gain of financial assets		
at fair value through profit or loss	(396)	814
Gain on early termination of leases	–	647
Others	(16)	–
	<u>(24,962)</u>	<u>1,457</u>

Note:

During the year ended 31 December 2022, an indirect wholly-owned subsidiary of the Company successfully applied for funding support from the Employment Support Scheme under the COVID-19 Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, it is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the submitted and approved list of employees.

4. LOSS BEFORE TAXATION

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
(a) Finance costs:		
Interest on bills payables	297	–
Interest on borrowings	23,908	30,388
Interest on lease liabilities	863	1,475
	<u>25,068</u>	<u>31,863</u>
(b) Staff costs (including directors' emoluments):		
Salaries, wages, bonus and allowances	46,336	45,518
Contributions to defined contribution retirement plans (<i>Note</i>)	5,848	5,391
Staff welfare and benefits	5,992	4,313
	<u>58,176</u>	<u>55,222</u>

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.

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
(c) Other items:		
Amortisation on intangible assets	731	362
Auditor's remuneration		
– audit services	970	940
– other services	308	569
Cost of inventories sold from supply chain business	293,191	594,619
Cost of inventories consumed from hotel management and catering services	41,822	33,007
Depreciation on property, plant and equipment	10,360	11,605
Depreciation on right-of-use assets	3,012	4,594
Derecognition of goodwill	–	3,526
Expenses relating to short-term leases	1,173	5,487
Provision for ECL allowance on finance lease receivables	29,824	954
Provision for ECL allowance on trade receivables	60,090	18,259
(Reversal of)/provision for ECL allowance on other receivables	(930)	297
	<u> </u>	<u> </u>

5. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Current tax – the PRC Enterprise Income Tax		
– Current income tax	23	781
– Over-provision in respect of prior years, net	(652)	(1,584)
	<u> </u>	<u> </u>
	(629)	(803)
Deferred tax		
– the PRC	3,328	(1,774)
	<u> </u>	<u> </u>
Income tax expense/(credit)	<u>2,699</u>	<u>(2,577)</u>

Hong Kong Profits Tax is calculated at 16.5% (2022: 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.

	2023	2022
	<i>HKD’000</i>	<i>HKD’000</i>
Loss		
Loss attributable to equity shareholders of the Company	<u>(201,747)</u>	<u>(14,259)</u>
Number of shares	<i>’000</i>	<i>’000</i>
Weighted average number of ordinary shares in issue	<u>3,966,247</u>	<u>3,900,000</u>

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

7. SEGMENT REPORTING

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

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

- (i) Supply chain business;
- (ii) Property investment; and
- (iii) Hotel management and catering services.

In addition to the above reportable segments, other operating segments include leasing business, money lending business and securities investment which were being reported as separate segments in prior periods. None of these segments met the quantitative thresholds for the reportable segments in both current and prior period. Accordingly, these were grouped in “Others”. Prior period segment disclosures have been represented to conform with current period’s presentation.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group’s operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the consolidated financial statements.

The CODM assesses the performance of the operating segments based on a measure of reportable segment results. This measurement basis excludes certain other net (losses)/gains, finance costs, other revenue and unallocated expenses.

Segment assets mainly exclude deferred tax assets and certain other assets that are managed on a central basis. Segment liabilities mainly exclude deferred tax liabilities and certain other liabilities that are managed on a central basis.

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

Year ended 31 December 2023	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Others HKD'000	Total 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)
Year ended 31 December 2022	Supply chain business HKD'000	Property investment HKD'000	Hotel management and catering services HKD'000	Others HKD'000	Total HKD'000
Disaggregated by timing of revenue recognition					
Point in time	627,412	–	69,256	–	696,668
Over time	4,804	4,562	18,248	2,254	29,868
Revenue from external customers	632,216	4,562	87,504	2,254	726,536
Segment profit/(loss)	8,784	3,274	(23,079)	(6,622)	(17,643)
Reconciliation:					
Interest income					3,188
Corporate and other unallocated expenses					(7,266)
Finance costs					(31,863)
Other revenue					36,746
Loss before taxation					(16,838)
Income tax credit					2,577
Loss for the year					(14,261)

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

At 31 December 2023	Supply chain business <i>HKD'000</i>	Property investment <i>HKD'000</i>	Hotel management and catering services <i>HKD'000</i>	Others <i>HKD'000</i>	Total <i>HKD'000</i>
Segment assets	<u>493,033</u>	<u>177,217</u>	<u>170,631</u>	<u>1,783</u>	842,664
Reconciliation:					
Deferred tax assets					8,080
Corporate and other unallocated assets					<u>97,496</u>
Total assets					<u>948,240</u>
Segment liabilities	<u>423,850</u>	<u>28,047</u>	<u>79,541</u>	<u>7,810</u>	539,248
Reconciliation:					
Deferred tax liabilities					40,668
Corporate and other unallocated liabilities					<u>1,070</u>
Total liabilities					<u>580,986</u>
At 31 December 2022	Supply chain business <i>HKD'000</i>	Property investment <i>HKD'000</i>	Hotel management and catering services <i>HKD'000</i>	Others <i>HKD'000</i>	Total <i>HKD'000</i>
Segment assets	<u>746,028</u>	<u>232,609</u>	<u>221,763</u>	<u>36,560</u>	1,236,960
Reconciliation:					
Deferred tax assets					6,509
Corporate and other unallocated assets					<u>84,338</u>
Total assets					<u>1,327,807</u>
Segment liabilities	<u>558,673</u>	<u>32,917</u>	<u>120,878</u>	<u>8,323</u>	720,791
Reconciliation:					
Deferred tax liabilities					37,130
Corporate and other unallocated liabilities					<u>963</u>
Total liabilities					<u>758,884</u>

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

Year ended 31 December 2023	Supply chain business <i>HKD'000</i>	Property investment <i>HKD'000</i>	Hotel management and catering service <i>HKD'000</i>	Others <i>HKD'000</i>	Total <i>HKD'000</i>
Other information					
Additions to non-current segment assets	–	9	1,277	–	<u>1,286</u>
Depreciation and amortisation	61	3	12,248	23	12,335
Unallocated depreciation					<u>1,768</u>
					<u>14,103</u>
Provision for ECL allowances, net	56,199	60	3,120	29,605	<u>88,984</u>
Year ended 31 December 2022					
	Supply chain business <i>HKD'000</i>	Property investment <i>HKD'000</i>	Hotel management and catering service <i>HKD'000</i>	Others <i>HKD'000</i>	Total <i>HKD'000</i>
Other information					
Additions to non-current segment assets	195	–	8,063	36	<u>8,294</u>
Non-current segment assets acquired on acquisition of subsidiaries	–	–	219,926	–	<u>219,926</u>
Depreciation and amortisation	513	–	13,991	181	14,685
Unallocated depreciation					<u>1,876</u>
					<u>16,561</u>
Derecognition of goodwill	–	–	3,526	–	<u>3,526</u>
Provision for ECL allowances, net	15,725	–	2,831	954	<u>19,510</u>

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

(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 financial assets at fair value through other comprehensive income, finance lease receivables and deferred tax assets) by geographic location is as follows:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
The PRC	316,399	387,369
Hong Kong	—	63,771
	<u>316,399</u>	<u>451,140</u>

(c) Major customers

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Supply chain business		
Customer A	N/A*	389,752
Customer B	N/A*	94,719
Customer C	<u>114,464</u>	<u>—</u>

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

8. INVESTMENT PROPERTIES

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
At the beginning of the year	344,108	244,181
Acquired on acquisition of subsidiaries	–	34,639
Transfer from property, plant and equipment	–	87,895
Exchange realignment	(9,276)	(22,201)
Fair value loss	(55,414)	(406)
	<u>279,418</u>	<u>344,108</u>
At the end of the year	<u>279,418</u>	<u>344,108</u>

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 2023 and 2022, certain investment properties were pledged to bank for loans granted to the Group (see Note 12).

(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:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Shops		
At the beginning of the year	225,658	244,181
Exchange realignment	(5,999)	(19,246)
Fair value (loss)/gain	(46,572)	723
	<hr/>	<hr/>
At the end of the year	<u>173,087</u>	<u>225,658</u>

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
A commercial building		
At the beginning of the year	118,450	–
Acquired on acquisition of subsidiaries	–	34,639
Transfer from property, plant and equipment	–	87,895
Exchange realignment	(3,277)	(2,955)
Fair value loss	(8,842)	(1,129)
	<u>118,450</u>	<u>118,450</u>
At the end of the year	<u><u>106,331</u></u>	<u><u>118,450</u></u>

(b) Assets leased out under operating leases

The leases typically run for an initial period of 1 to 8 years (2022: 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:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Within 1 year	8,370	6,212
After 1 year but within 2 years	6,955	7,143
After 2 years but within 3 years	4,845	6,266
After 3 years but within 4 years	4,642	4,738
After 4 years but within 5 years	4,874	4,738
After 5 years	9,992	15,174
	<u>39,678</u>	<u>44,271</u>

9 FINANCE LEASE RECEIVABLES

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Current finance lease receivables	30,888	28,998
Less: Expected credit loss allowance		
– Current portion	(30,888)	(1,348)
	<u>–</u>	<u>27,650</u>

At 31 December 2023 and 2022, the finance lease receivables are receivable within one year or on demand.

Note:

- (a) Certain machineries are leased out to one lessee under finance initial leases with lease terms of 24 to 48 months. Prior to the revision of lease contract as stated in Note 9(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.

During the year ended 31 December 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.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HKD’000</i>	2022 <i>HKD’000</i>
Trade receivables, net of ECL allowance	413,035	634,037
Other receivables, net of ECL allowance	<u>78,476</u>	<u>94,913</u>
	491,511	728,950
Deposits and prepayments	<u>43,584</u>	<u>30,157</u>
	<u><u>535,095</u></u>	<u><u>759,107</u></u>

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:

	2023 <i>HKD’000</i>	2022 <i>HKD’000</i>
Within 1 month	4,110	3,493
1 to 3 months	5,411	4,716
3 to 12 months	8,192	557,033
Over 12 months	<u>395,322</u>	<u>68,795</u>
	<u><u>413,035</u></u>	<u><u>634,037</u></u>

Trade receivables are generally due within 30 to 365 days (2022: 30 to 365 days) from the date of billing. The ageing analysis of trade receivables (net of expected credit loss allowances) as at the end of the reporting period, based on due date, is as follows:

	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Current (not past due)	3,937	568,087
Less than 1 month past due	3,000	25,783
1 to 3 months past due	5,438	3,485
3 to 12 months past due	380,252	19,328
Over 12 months past due	<u>20,408</u>	<u>17,354</u>
	<u>413,035</u>	<u>634,037</u>

11. TRADE AND BILLS PAYABLES

	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Trade payables	70,856	74,548
Bills payable	<u>–</u>	<u>77,838</u>
	<u>70,856</u>	<u>152,386</u>

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

	2023	2022
	<i>HKD'000</i>	<i>HKD'000</i>
Within 1 month	18,363	6,348
1 to 3 months	7,284	9,291
3 to 12 months	10,662	100,193
Over 12 months	<u>34,547</u>	<u>36,554</u>
	<u>70,856</u>	<u>152,386</u>

As at 31 December 2022, the Group had HKD77,838,000 bills payable which were secured by pledged bank deposits.

12. BORROWINGS

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Bank loans, secured (<i>Note (a)</i>)	367,308	435,996
Other borrowings, secured (<i>Note (b)</i>)	—	12,454
	<u>367,308</u>	<u>448,450</u>

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Within 1 year	337,901	415,474
After 1 year but within 2 years	17,082	5,864
After 2 years but within 5 years	<u>12,325</u>	<u>27,112</u>
	367,308	448,450
Less: Amount due within one year or repayable on demand classified as current liabilities	<u>(337,901)</u>	<u>(415,474)</u>
Amount due for settlement after one year	<u>29,407</u>	<u>32,976</u>

Notes:

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

Bank Loan 1 with principal amount of RMB24,007,000 (equivalent to HKD26,316,000) (2022: RMB24,507,000 (equivalent to HKD27,646,000)) 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 HKD305,840,000) (2022: RMB279,000,000 (equivalent to HKD314,740,000)) 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 2023, the loan was defaulted and became immediately repayable on demand. Interest is charged at a fixed rate of 5.4% per annum.

Bank Loan 3 with principal amount of RMB22,567,000 (equivalent to HKD24,738,000) (2022: RMB72,980,000 (equivalent to HKD82,329,000)) is secured by certain properties owned by independent third parties. As at 31 December 2023, the loan was defaulted and became immediately repayable on demand. Interest is charged at a fixed rate of 6.5% per annum.

Bank Loan 4 with principal amount of RMB9,500,000 (equivalent to HKD10,414,000) (2022: RMB10,000,000) (equivalent to HKD11,281,000)) 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.

The Group has been actively negotiating with the lenders of Bank Loan 2 and Bank Loan 3 for renewal and extension for repayments of overdue borrowings.

- (b) As at 31 December 2022, other borrowing with principal amount of RMB11,040,000 (equivalent to HKD12,454,000), which was unsecured and interest-bearing at a fixed rate of 6.05% per annum, was obtained from an independent third party. The loan was fully repaid during the year ended 31 December 2023.

13. 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). Afterwards, 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 RMB294,300,000 (equivalent to approximately HKD322,612,000) immediately;
- (2) bear the legal costs incurred by Hua Xia Bank; and
- (3) bear the other litigation costs in relation to the abovementioned litigation.

In view of the legal claim, the relevant bank borrowings are classified as current liabilities as at 31 December 2023. As at the approval date of these consolidated financial statements, the legal proceedings have not commenced yet.

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 2023.

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 2023, 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 potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to form 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

Multiple uncertainties relating to going concern

As set out in Note 2(b) to the consolidated financial statements, during the year ended 31 December 2023, the Group recorded a net loss of approximately HKD202,150,000 and defaulted on repayment of two interest-bearing bank borrowings with aggregate principal amount of approximately RMB301,567,000 (equivalent to approximately HKD330,578,000) and related aggregated interest amount of approximately RMB15,271,000 (equivalent to approximately HKD16,740,000) which these bank borrowings became immediately repayable on demand. One of the banks has commenced litigation against the Group to recover the principal amount and related interest amount of the borrowing amounted to approximately RMB294,300,000 (equivalent to approximately HKD322,612,000). These bank borrowings exceed the Group’s cash and cash equivalents of approximately HKD85,362,000 as at 31 December 2023.

These events or conditions, together with other matters disclosed in Note 2(b) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, which are set out in Note 2(b) to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including: (i) successful negotiation with the relevant banks for revising the repayment terms by instalment up to over the years and not demanding immediate repayment of existing bank borrowings due to the breach of loan covenants; (ii) successfully obtaining additional funds from the substantial shareholders by way of shareholders' loan; and (iii) successfully collecting substantial payments from customers.

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 reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, or to recognise a liability for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements.

Given the execution of the above plans and measures by the Group are in progress and no written contractual agreements are available to the Group as at the date of the approval for issuance of the consolidated financial statements with details as set out in Note 2(b) to the consolidated financial statements, and in view of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, we are unable to form an opinion as to whether the going concern basis of preparation of the consolidated financial statements of the Group is appropriate and we disclaim our opinion on the consolidated financial statements of the Group in respect of year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2023, the principal activities of the Group are: (i) supply chain business (the “**Supply Chain Business**”), (ii) hotel management and catering services (the “**Hotel Management & Catering Services**”), (iii) property investment (the “**Property Investment**”) and (iv) other business included the leasing business, money lending business and securities investment.

Supply Chain Business

For the year ended 31 December 2023, the Supply Chain Business generated HKD298.3 million in revenue, which represents a significant decrease compared to the same period in 2022. This downturn can be primarily attributed to the stringent implementation of credit risk control measures, which led to a reduction in recorded sales orders. Additionally, facing challenges from delay payments for several customers, the Group took prompt decisive actions, such as imposing penalty charges and suspending order acceptance.

In response to these challenges and to rejuvenate business sustainability, the Group cooperated with a strategic partner which aims to those traditional non-ferrous metal trading and sizable companies in the People’s Republic of China (“**PRC**”). This strategic move aligns well with the PRC government’s emphasis on bolstering economic prosperity through domestic consumption and production, underlining the importance of self-reliance, self-sufficiency, and dual circulation strategies. Focusing on the domestic market, the management of the Group has proactively sought out new potential customers for the Supply Chain Business, anticipating an increase in demand. This proactive approach reflects the Group’s commitment to adapting to market dynamics and seizing emerging opportunities.

While cautiously optimistic about the prospects of the Supply Chain Business, the Group remains vigilant regarding the development and positions it well to navigate uncertainties and drive sustainable growth in the ever-evolving business landscape.

Hotel Management & Catering Services

The Group has made remarkable progress in expanding into the hotel management and catering services sector, which has become a key growth driver and an integral part of our overall operations. For the year ended 31 December 2023, the Hotel Management & Catering Services segment demonstrated promising growth, contributing HKD121.5 million in revenue.

To address the challenges posed by the slower-than-expected post-COVID economic recovery, the Group took proactive measures and made necessary arrangements for the management team to refocus the hotel and catering operations towards performance-oriented strategies. While the segment experienced a rebound in performance during the first half of the year, momentum was lost towards the year’s end. In order to mitigate losses, the Group has kept strengthening control over procurement costs and initiated sub-leasing arrangements and close for certain underperforming restaurants and coffee shops.

To maintain and enhance the competitive power of the hotel and catering services market, the Group continues to improve the quality of our products and services to enhance the overall satisfaction level of our valued customers. In the meantime, focusing on operational efficiency, customer-centricity, and adaptation to market conditions will be key drivers of sustained growth and further consolidation of the Group's position in the hotel management and catering services sector.

Property Investment

The Group has the investment properties located in Yunfu, PRC which generated HKD2.7 million in rental income and recorded the revaluation loss of HKD46.6 million for the year ended 31 December 2023. 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 2023, the Group recorded a total revenue of HKD422.5 million, representing a decrease of 41.8% as compared with that for the year ended 31 December 2022 of HKD726.5 million. Such decrease was mainly due to the decline in revenue generated in the Supply Chain Business of HKD298.3 million as compared with HKD632.2 million for the year ended 31 December 2022.

Despite of such decrease in revenue in the Supply Chain Business, the Hotel Management & Catering Services recorded an increase in revenue from HKD87.5 million for the year ended 31 December 2022 to HKD121.5 million for the year ended 31 December 2023.

The total revenue from Property Investment and other business amounted to approximately HKD2.7 million as compared with that for the year ended 31 December 2022 of HKD6.8 million.

Other net (losses)/gains

For the year ended 31 December 2023, the Group recorded a other net losses of HKD25.0 million (2022: other net gains of HKD1.5 million) which mainly came from the loss on disposal of a property holding subsidiary of HKD24.0 million. Details of the disposal were set out in the announcement of the Company dated 10 October 2023.

Expenses

The Group's direct costs and operating expenses significantly decreased by HKD300.6 million from HKD689.8 million for the year ended 31 December 2022 to HKD389.2 million for the year ended 31 December 2023. The decrease in direct costs and operating expenses was mainly due to the significant decline in revenue of the Supply Chain Business, which accounted for over 70% of the Group's total revenue.

The Group's impairment losses under expected credit loss model increased by HKD69.5 million from HKD19.5 million for the year ended 31 December 2022 to provision for HKD89.0 million for the year ended 31 December 2023. Such increase was mainly caused by the continuing delayed payment of outstanding invoices by several customers in the Supply Chain Business and the occurrence of unfavourable event for finance lease receivables balance.

Attributable to our stringent implementation of cost control, the Group's administrative expenses remained stable at HKD43.6 million for the year ended 31 December 2023.

The Group's finance cost decreased by HKD6.8 million from HKD31.9 million for the year ended 31 December 2022 to HKD25.1 million for the year ended 31 December 2023, mainly due to the repayment of loans during the year.

Loss for the year

For the year ended 31 December 2023, the Group recorded a net loss of approximately HKD202.2 million as compared to a net loss of approximately HKD14.3 million for the year ended 31 December 2022. Such net loss was mainly due to (i) the significant increase in expected credit losses on trade and other receivables and finance lease receivables in HKD69.5 million; (ii) the significant increase in fair value loss on investment properties in HKD55.0 million; (iii) the significant decrease in dividend income from equity investments of which HK\$35.8 million was recorded in the year ended 31 December 2022; (iv) a loss on disposal of property holding subsidiary in HKD24.0 million; and (v) the revenue contribution from Supply Chain Business has significantly decreased for the year ended 31 December 2023.

Investment properties

The investment properties represent the leased out shops of HKD173.1 million (2022: HKD225.7 million) located in Yunfu, the PRC and leased out commercial building of HKD106.3 million (2022: HKD118.5 million) located in Beihai City, Guangxi Province, the PRC. The Group recognised fair value loss on investment properties of HKD55.4 million (2022: HKD0.4 million) due to the downturn of real estate market in the PRC and significant impact for physical stores under the e-commerce era.

Trade and other receivables

The trade and other receivables mainly represents the trade receivables (net of ECL allowances) from the Supply Chain Business of HKD402.1 million (2022: HKD625.0 million) and other receivables of HKD78.5 million (2022: HKD94.9 million) which mainly from supply chain financing arrangements. As at 31 December 2023, trade receivables (net of ECL allowances) from Supply Chain Business past due within 12 months and over 12 months are HKD377.8 million (2022: HKD39.6 million) and HKD20.4 million (2022: HKD 17.4 million) respectively. Up to the date of issuance of this announcement one of the substantial trade receivables successfully recovered RMB76.6 million (approximately equivalent to HKD83.2 million).

The decrease in trade and other receivables of HKD224.0 million was primarily due to the decrease in the trade receivables (net of ECL allowances) from the Supply Chain Business amounting to HKD222.9 million, which in line with the slowdown of the Supply Chain Business for the year ended 31 December 2023.

The Group seeks to maintain strict control over its outstanding receivables and the management actively monitor the status of its outstanding receivables and the rapid change of the market condition in order to minimise credit risk. The management of the Group regularly reviews the overdue balances, which performs assessment of recoverability on a case-by-case basis.

Trade and bills payables

As at 31 December 2023, the Group's trade and bills payable significantly decreased by HKD81.5 million from HKD152.4 million as at 31 December 2022 to HKD70.9 million. Such decrease was in line with the slowdown of the Supply Chain Business in the current year.

LIQUIDITY, GEARING AND CAPITAL RESOURCES

As at 31 December 2023, the cash and cash equivalents of the Group were HKD85.4 million (2022: HKD37.7 million) and interest-bearing borrowings, including the borrowings and the lease liabilities were HKD381.6 million (2022: HKD470.9 million). The following table details the cash and cash equivalents, the borrowings and the lease liabilities of the Group as at 31 December 2023 denominated in original currencies:

	As 31 December 2023	
	<i>HKD'000</i>	<i>RMB'000</i>
Cash and cash equivalents	52,656	29,836
Borrowings	—	335,074
Lease liabilities	—	13,012

	As 31 December 2022	
	<i>HKD'000</i>	<i>RMB'000</i>
Cash and cash equivalents	5,465	28,560
Borrowings	—	397,527
Lease liabilities	—	19,925

The Group principally satisfies its demand for operating capital with cash inflow from its operations and borrowings. As at 31 December 2023, 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 103.9% (2022: 82.8%). The gearing ratio increased in comparison to previous year mainly due to the significant loss for the year, which have reduced the amount of shareholder's fund of the Group. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.25 (2022: 1.29). The liquidity ratio is stable in comparison to that as at 31 December 2022.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities (2022: nil).

FOREIGN CURRENCY AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its foreign currency risk and interest rate risk. The Group is not exposed to significant foreign currency risk as most sales, other income, purchases and expenses are denominated in the functional currency of the operations to which they relate. 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 OF GROUP ASSETS

As at 31 December 2023, certain investment properties of the Group with an aggregate carrying amount of approximately HKD194.9 million (2022: HKD243.7 million) were pledged to banks for loans granted to the Group.

As at 31 December 2022, pledged bank deposits of the Group with carrying amount of HKD38.9 million were pledged to bank as guarantee deposits for bills payable made available to the Group. The pledges were released during the year ended 31 December 2023 upon the full settlement of the bill payables.

FINANCIAL GUARANTEES PROVIDED

As at 31 December 2023, the Company had provided corporate guarantees amounting to HKD305.8 million (2022: HKD314.7 million) in favour of certain banks in connection with facilities granted to certain subsidiaries of the Group.

As at 31 December 2023, 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 HKD305.8 million (2022: HKD314.7 million).

CAPITAL EXPENDITURES AND COMMITMENTS

During the year ended 31 December 2023, the Group invested HKD1.3 million (2022: HKD2.2 million) on property, plant and equipment, which included leasehold improvements, furniture, fixtures and equipment and motor vehicles. As at 31 December 2023 and 2022, the Group had no capital commitments.

SIGNIFICANT INVESTMENTS HELD

There were no significant investments held by the Group at 31 December 2023 and 2022.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 9 November 2023, the Company entered into a placing agreement pursuant to which the Company agreed to allot and issue a maximum 780,000,000 new shares of the Company at a placing price of HK\$0.019 per placing share in accordance with the terms and conditions of the placing agreement (the “**Placing**”). The completion of the Placing took place on 1 December 2023. The net proceeds received by the Company from the Placing after deducting related fees and expenses were approximately HKD14,700,000 for the expansion of the Group’s existing businesses including the Supply Chain Business, Hotel Management and Catering Services, and other business; and has been fully utilized as at the date of this announcement.

Details of the Placing were set out in the announcements of the Company dated 9 November 2023 and 1 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Discloseable Transaction – Disposal of Property Holding Subsidiary and Leaseback of Property

On 10 October 2023, Golden Flourish Property Limited, a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party (the “**Purchaser**”) in relation to dispose and purchase the entire share capital of Confield Worldwide Limited (“**Confield Worldwide**”), a cash consideration of HKD38,000,000.00 (the “**Disposal**”). The principal asset of the Confield Worldwide is the entire legal and beneficial interests in the property which is located at Unit 1902, 19/F, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong (the “**Property**”). The Property is a commercial property and has been used as the office premises of the Group before the Disposal.

On 13 December 2023, the Group completed the Disposal, and proceeds from the Disposal of HKD38,000,000 was received. Upon the completion the Disposal, the Company will cease to hold any interest in Confield Worldwide. The Group shall enter into a tenancy agreement with the Purchaser pursuant to which the Group shall lease back the Property for the Group’s use for a term of 1 year commencing immediately from the date of completion of the Disposal, at a monthly rent of HKD76,000 (inclusive of rates, government rent and management fee). The Property continue to be used as the office premises of the Group.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of approximately 300 employees (2022: approximately 330 employees). The total staff cost of the Group amounted to approximately HKD58.2 million for the year ended 31 December 2023, representing 13.8% of the Group’s turnover. Employees’ remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group’s remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of difference positions.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

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

On 29 February 2024, the Company, Zhongchuan Investment Holding Co., Limited (宗傳投資控股有限公司) (the “**Vendor**”) and Zhongchuan Investment Group Co., Limited (宗傳投資集團有限公司) (the “**Target Company**”) 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 on the Company approving the Acquisition at a special general meeting of the Company.

Details of the Acquisition were set out in the announcement of the Company dated 29 February 2024 and 21 March 2024, respectively.

FUTURE PROSPECTS

Looking ahead to 2024, in anticipation of the evolving economic landscape, the Group is proactively addressing challenges faced by its Supply Chain Business while exploring growth opportunities. Despite recent setbacks, the Group is dedicated to resolving issues and revitalizing the segment’s performance. The Group’s cautious optimism regarding the Supply Chain Business and will closely monitor the market situation, enable agile decision-making and proactive risk management.

In addition, the Group is currently acquiring the business which is principally engaged in iron ore and iron concentrate powder production and sales business. The Group aims to expand its supply chain business to cover ferrous metals for increase in diversity of its product portfolio and mitigation of market risks. Through the acquisition, the Group would be able to incorporate the proposed acquired business into its existing supply chain business and thereby achieve business and market diversification. Simultaneously, the Group will also focus on the continuous advancement of the hotel management and catering services business.

Besides, the Group is actively negotiating with the banks for renewal and extension for repayments of the overdue bank borrowings and is currently expected that the successful negotiation will be made in the coming months with the banks for the extension of the loan agreements. As move forward, the Group will seek business continuity, adjust the operating strategies in a timely manner and safeguard the Group’s resources to ensure that the Group is well-positioned to capitalise on future opportunities.

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 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code contained in Appendix 14 of 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 on 23 June 2023 (the “**2023 AGM**”) due to other business arrangement. Mr. Liao will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so. Mr. Liao had entrusted Ms. Qian Pu, being the executive Director, to respond to shareholders' concerns (if any) on his behalf at the AGM.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions (the “**Model Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the year ended 31 December 2023.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors. The Audit Committee has reviewed with the management of the Company and the external auditor, Baker Tilly Hong Kong Limited, the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the annual results announcement for the year ended 31 December 2023 of the Group.

CLOSURE OF REGISTER OF MEMBERS

The 2024 Annual General Meeting of the Company is scheduled to be held on Friday, 21 June 2024 (the “**2024 AGM**”). The register of members of the Company will be closed from Monday, 17 June 2024 to Friday, 21 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, all properly completed transfer of share(s) accompanied by the relevant share certificate(s), must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 June 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued shares of the Company being held by the public under the Listing Rules throughout the year ended 31 December 2023 and up to the date of this announcement.

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

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

By Order of the Board
Pak Tak International Limited
Liao Nangang
Chairman

Hong Kong, 28 March 2024

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, Mr. Chan Kin Sang and Mr. Zheng Suijun as independent non-executive Directors.