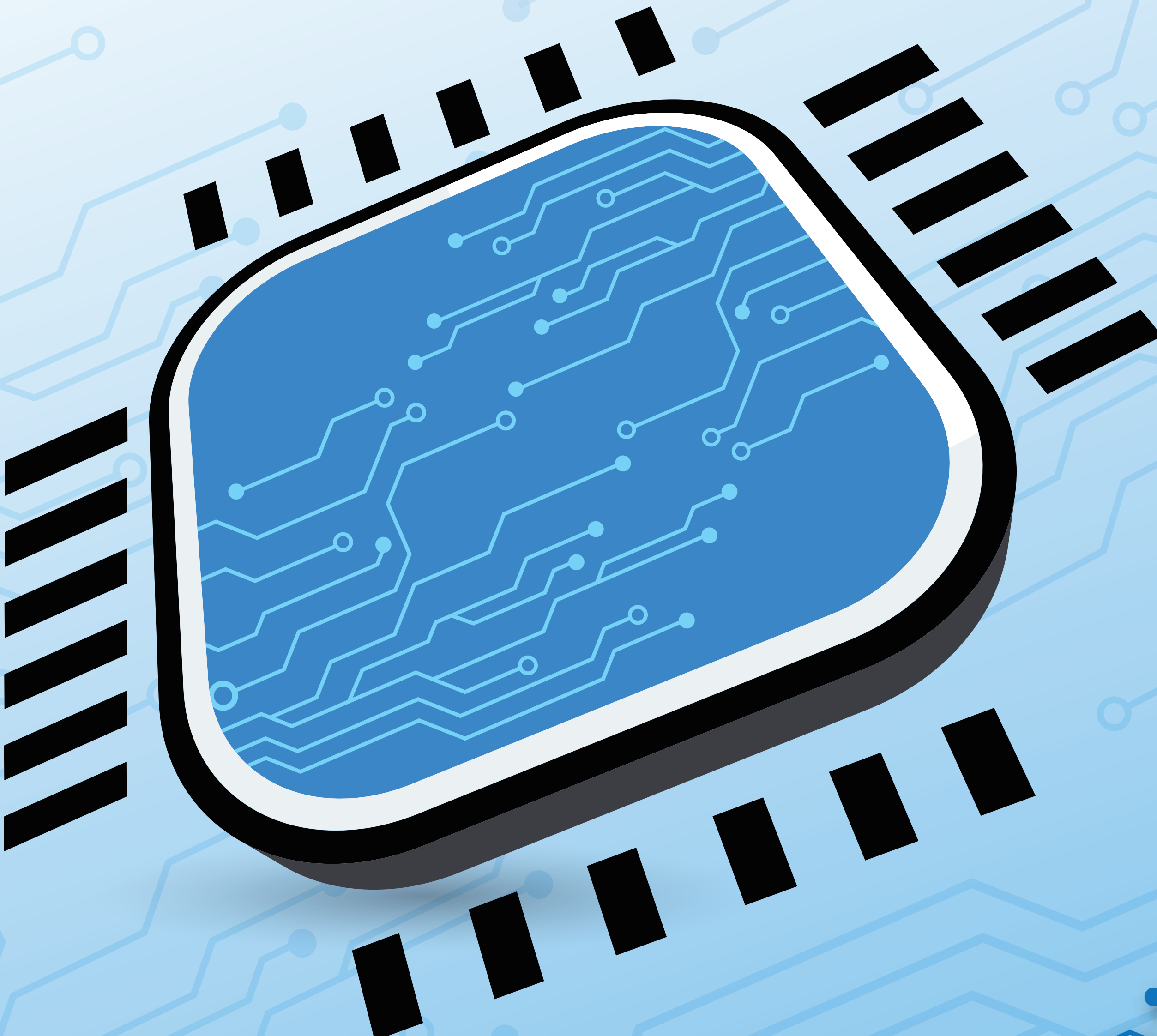
太睿國際控股有限公司
PacRay International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1010



2018
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liew Fui Kiang *(Chairman)*
Mr. Leung Pok Man
Ms. Lau Mei Ying

Non-executive Director

Mr. Zhou Danqing[Note 3]

Independent Non-executive Directors

Mr. Lee Man To[Note 2]
Ms. Choi Yee Man[Note 2]
Ms. Zhuge Chang[Note 5]
Ms. Chow Chui Ying[Note 1]
Mr. Zhou Danqing[Note 3]
Dr. Yang Yung-Ming[Note 4]

BOARD COMMITTEES

Audit Committee

Mr. Lee Man To *(Chairman)*[Note 2]
Ms. Choi Yee Man[Note 2]
Ms. Zhuge Chang[Note 5]
Ms. Chow Chui Ying *(Chairman)*[Note 1]
Mr. Zhou Danqing[Note 1]
Dr. Yang Yung-Ming[Note 4]

Remuneration Committee

Ms. Choi Yee Man *(Chairman)*[Note 2]
Mr. Lee Man To[Note 2]
Ms. Zhuge Chang[Note 5]
Mr. Zhou Danqing *(Chairman)*[Note 1]
Ms. Chow Chui Ying[Note 1]

Nomination Committee

Ms. Choi Yee Man *(Chairman)*[Note 2]
Mr. Lee Man To[Note 2]
Ms. Zhuge Chang[Note 5]
Mr. Zhou Danqing *(Chairman)*[Note 1]
Ms. Chow Chui Ying[Note 1]

Notes:

1. Resigned on 15 April 2018
2. Appointed on 15 April 2018
3. Re-designated on 15 April 2018
4. Resigned on 15 June 2018
5. Appointed on 15 June 2018

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline

STOCK CODE

1010

WEBSITE

http://pacray.com.hk

AUDITORS

Zenith CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Michael Li & Co.

PRINCIPAL BANKERS

Bank of Communications
China Construction Bank (Asia) Corporation Limited
Dah Sing Bank, Limited
The Hongkong & Shanghai Banking Corporation Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 902, Unicorn Trade Centre
127-131 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

BUSINESS REVIEW

PacRay International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") is principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the People's Republic of China (the "**PRC**"), Hong Kong and Taiwan; sales and distribution of construction materials; financial leasing in the PRC and investments holding.

During the period, despite the uncertain and volatile global macro-economic environment as a result of continual international trade battle between the United States of America and the PRC, the PRC continues to be under the world's spotlight and maintains a moderate growth. It was overall a challenging period, but nevertheless the Group performed better than the corresponding period of last year.

Design and distribution of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts is our core business of the Group. The Group acquired raw material integrated circuit ("**IC**") and semi-conductor related parts from external suppliers and rely on internet technology and related equipment for design of IC related products before sourcing out to external sub-contractors for production and do not involve in any internal manufacturing processes in the course of business.

The Group's IC products are used in industrial and house measuring tools and electronic bicycles battery charger market. In particular, our core research and development team in our Shanghai operations provide the design of the products and the products are then sourced out to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in our Shanghai operations, the Group then sold the products to our customers, which are usually end-product manufacturers/producers.

For the six months ended 30 June 2018, our operations recorded a revenue of approximately HK$23.1 million, an increase of HK$11.6 million as compared to corresponding period last year. IC design revenues in the PRC had a rapid growth in recent years, which reached approximately 28% and 22% growth rate in the year 2017 and in the first three months of year 2018. Our operations in Shanghai even outperformed the PRC IC market due to the management's continuous effort on (i) improving the competitiveness of the products; and (ii) developing new product lines and sales and distribution channels.

There are mainly two types of products in our operation: caliper and microcontroller unit ("**MCU**"), each of the products has approximately 10 different models. The total product mix between caliper and MCU during the period remains stable, approximately 71% (2017: 73%) and 29% (2017: 27%) of the revenue was generated from the caliper and MCU respectively. Our caliper sales maintains consistent growth while MCU sales grows significantly for the six months ended 30 June 2018. These organic growths were mainly due to the satisfactory feedbacks from customers on the stability of our products compared with our competitors.

In addition to our operations in Shanghai, by the effort of the new management team subsequent to the change of controlling shareholder on 31 August 2017, the Group had established two new sales and distribution channels in Hong Kong and Taiwan and commenced sales and distribution of new IC related products during the last quarter of 2017. For the six months ended 30 June 2018, approximately HK$9.1 million of revenue (representing 25% of total revenue during the period) were contributed from these two sales and distribution channels (2017: Nil).

Sales and distribution of construction materials

In November 2017, by the effort of the new management team subsequent to the aforementioned change of controlling shareholder, The Group had explored a business opportunity with a Hong Kong listed resort developer, in which the said company is developing and constructing a new hotel project overseas, for the sales and distribution of construction materials.

Thereafter, the Group established a new business segment for sales and distribution of construction materials. For the six months ended 30 June 2018, the operations recorded a revenue of approximately HK$12.6 million (2017: Nil), representing 35% (2017: Nil) of total revenue during the period.

Financial leasing in the PRC

The Group entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") for the acquisition (the "**Acquisition**") of the entire equity interest in Wit Sky Limited ("**Wit Sky**") together with its subsidiaries (collectively, the "**Wit Sky Group**") on 13 November 2017. Wit Sky is the holding company of Solomon International Leasing (Tianjin) Company Limited* ("**Solomon**") which is principally engaged in industrial equipment, medical equipment, transportation equipment (aircraft, ships, vehicles, etc.), household products, product upstream and downstream supply chain and various types of financial leasing such as direct leasing, sublease, hire purchase, leveraged leasing, entrusted leasing and joint leasing the sale and dealing of the residual value of lease items and leasing consultation business.

All conditions to the Sale and Purchase Agreement for the Acquisition have been fulfilled and the Acquisition was completed on 28 February 2018. Since the Completion of the Acquisition, the Group expands into the financial leasing business in the PRC which will diversify the Group's business and broaden its revenue base.

For the six months ended 30 June 2018, the Group recorded a revenue of HK$0.1 million (2017: Nil) deriving from its financial leasing businesses in the PRC.

Investment holding

As at 1 January 2018, the Group held 130,362 ChipMOS Technologies Inc. ("**ChipMOS Taiwan**") American depositary shares ("**ChipMOS Taiwan ADS**"), which is listed on the NASDAQ Global Select Market (ticker symbol "**IMOS**"). ChipMOS Taiwan was incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange as "8150" and is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

On 24 January 2018, the Company proposed a possible disposal of an aggregate of 130,362 ChipMOS Taiwan ADS, representing all of its current holding of ChipMOS Taiwan ADS (the "**Possible Disposals**"). As disclosed in the circular of the Company dated 14 February 2018, the management of the Company considered that the Possible Disposals represent a good opportunity for the Company to realise a gain in its investment in ChipMOS Taiwan.

A special general meeting of the Company (the "**SGM**") was held on 12 March 2018 and an ordinary resolution was passed by the shareholders for approving the Possible Disposals. It is expected that the net proceeds of the Possible Disposals will be used as additional working capital for the expenditure of and funding for any future acquisition or investment in the business operation of Wit Sky and when suitable opportunities arise.

Subsequent to the SGM, the Company further disposed 118,262 ChipMOS Taiwan ADS.

* *For identification purposes only*

As at 30 June 2018, the Company held 12,100 ChipMOS Taiwan ADS and the quoted market price of ChipMOS Taiwan ADS was approximately US$15.13 per ADS. Consequently, a fair value loss of approximately HK$0.6 million was debited to investment reserve due to mark-to-market valuation of such ChipMOS Taiwan ADS held for the period.

The quoted market price of ChipMOS Taiwan ADS as at 16 August 2018 was approximately US$13.90 per ADS.

As at 30 June 2018, the Group also held shares of a Hong Kong listed company amounted to approximately HK$1.2 million (31 December 2017: Nil).

BUSINESS OUTLOOK

Facing economic uncertainties and cost inflation, the Group will continue with its prudent business approach.

Design and distribution of integrated circuit and semi-conductor parts

Despite concerns over the future of international trade policies given the current political battle of trade relations between the United States of America and China and the slowdown of China's economy growth to a single-digit percentile in 2018, the business growth has become increasingly challenging for our operation. The two main issues of our operation are: scalability and diversification. We shall carry on our effort to improve the existing products over our competitors both in terms of performance as well as price. Meanwhile, we are diligently diversifying into other product lines and exploring new sales and distribution channels in order to diversify our revenue source.

Sales and distribution of construction materials

The newly identified business segment currently consists of a sole customer (i.e. a Hong Kong listed resort developer) during the period, for which the sole customer is currently engaging in the development and construction of a hotel project overseas. Since such overseas hotel project is at its advance construction stage, the developer requires a significant portion of construction materials in order to maintain construction progress with aim on completion by end 2019. As such, revenue of approximately HK$12.6 million (2017: Nil) was generated during the period. The management expects such sales and distribution to the said customer will remain consistent until the end of its development. In addition, the Group will continue to explore other new customers so as to diversify the customer base on this business segment.

Financial leasing in the PRC

Upon the completion of the Acquisition on 28 February 2018, the Group has been in constant discussions with local management of Wit Sky Group on Soloman's business development and planning of financial leasing projects in the PRC going forward. Further updates on such business plan would be communicated to shareholders upon finalisation.

Investment holding

The world economy maintained a moderate pace of growth. Given ongoing uncertainty over international trade and longer-term global economic and financial trends. Looking ahead, we remain cautious and prudence approach for exploring any new investment opportunities to enhance shareholder's value.

Other Business and Investment Opportunities

As at 30 June 2018, the Group will continue to exercise prudence and to look for new business and investment opportunities, with the aim of improving the Group's value in order to benefit our shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group achieved a revenue of HK$35.8 million, representing an increase of approximately HK$24.3 million which was principally contributed by (i) increase of sales orders from customers; (ii) development of new product lines and sales and distributions channels from the Group's design and distribution of integrated circuit and semi-conductor parts business operations; and (iii) the new business segment for sales and distribution of construction materials which was identified and commenced in November 2017. Loss attributable to owners of the Company for the six months ended 30 June 2018 is HK$5.8 million, as compared to HK$1.5 million for the corresponding period of last year. The increase was mainly attributable to increase in general and administrative expenses on staff costs and legal and professional fees during the period. Basic loss per share attributable to owners of the Company is HK1.73 cents, as compared to HK0.43 cents for the corresponding period of last year.

Revenue

Revenue of the Group increased by approximately HK$24.3 million (2017: increase of HK$4.0 million) and such is principally contributed by the (i) the management's continuous efforts on improving the competitiveness of the products which resulted in increases in sales orders from customers; (ii) the development of new sales and distribution channels of IC related products compared with the correspondent period of last year; and (iii) the new business segment for sales and distribution of construction materials which was identified and commenced in November 2017.

In particular, the Group's new management team has established two sales and distribution channels in Hong Kong and Taiwan respectively since October 2017 for the sales and distribution of new IC related products in these two locations and such new revenue stream has delivered approximately HK$9.1 million (2017: Nil) of new revenue to the Group during the period.

Cost of sales

Cost of sales for the six months ended 30 June 2018 increased by HK$22.6 million when compared with that of the corresponding period of last year. The increase was mainly attributed by the abovementioned increase in sales orders from customers given management's extended efforts to boost sales during the period. In addition, (i) the development of new sales and distribution channels in Hong Kong and Taiwan respectively; and (ii) sales and distribution of construction materials also contributed to increase in cost of sales for the period.

Other income

Other income mainly comprised of interest income received by the Company during the period. Increase was mainly due to the increase in interest income received from the Company's loans receivables of approximately HK$0.9 million (2017: Nil) during the period.

Other gains, net

Other gains for the six months ended 30 June 2018 mainly represented realised gains of approximately US$0.1 million (equivalent to approximately HK$0.7 million) (2017: Nil) received from the Company's disposals of financial assets at fair value through other comprehensive income during the period.

Operating expenses

Operating expenses increase to HK$15.5 million in the six months ended 30 June 2018 (2017: HK$8.3 million) which were mainly comprised of increase to employee benefit expenses (including Directors' emoluments) and legal and professional fees amounted to HK$8.9 million (2017: HK$4.0 million) and HK$5.9 million (2017: HK$1.0 million) respectively during the period.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Company had no fund raising activities.

As at 30 June 2018, the cash and cash equivalents of the Group amounted to approximately HK$38.5 million as compared to approximately HK$43.3 million as at 31 December 2017, which included short-term bank deposits of approximately HK$1.3 million (31 December 2017: HK$1.3 million).

As at 30 June 2018, the Group had no outstanding bank loan and no financing cost was incurred for the period (2017: Nil).

GEARING RATIO

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 2.8% as at 30 June 2018 (31 December 2017: approximately 1.9%). The Group did not have any debt financing during the period, and no finance cost was incurred.

FOREIGN CURRENCY EXPOSURE

The Group's results were exposed to exchange fluctuations of Renminbi as the Group had operations in the PRC. The board of Directors (the "**Board**") considers that the Group was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

CAPITAL STRUCTURE

During the period, there was no change to the authorised share capital of the Company.

As at 30 June 2018, the Group had no bank borrowings (31 December 2017: Nil). As at 30 June 2018, the shareholders' fund amounted to approximately HK$152.5 million (31 December 2017: approximately HK$161.1 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK$1.8 million for the six months ended 30 June 2018 (2017: approximately HK$0.2 million).

As at 30 June 2018, the Group held 12,100 (31 December 2017: 130,362) ChipMOS Taiwan ADS and its quoted market price was US$15.13 (31 December 2017: US$17.62) per ADS.

As at 30 June 2018, the Group also held shares of a Hong Kong listed company amounted to approximately HK$1.2 million (31 December 2017: Nil).

PLEDGE OF ASSETS

As at 30 June 2018, the Group did not have any pledge of assets (31 December 2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Disposal of ChipMOS Taiwan ADS

On 24 January 2018, having regard to the share market conditions and the trading price of ChipMOS Taiwan ADS in the open market through the NASDAQ Global Select Market, the management of the Company considered the possible disposals represent good opportunities for the Company to realise a gain in its investment in ChipMOS Taiwan. The Company intended to dispose of an aggregate of 130,362 ChipMOS Taiwan ADS ("**Possible Disposals Shares**").

The Possible Disposals constituted a major transaction for the Company under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), for which shareholders' approval was required. No shareholder was required to abstain from voting on the approval of the Possible Disposals.

As the highest applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Possible Disposals aggregated with the previous disposals was more than 25% but less than 75%, the aggregate disposals constituted a major transaction for the Company, which was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Acquisition of the Entire Issued Share Capital in Wit Sky

Sunny Fast International Investment Limited, a wholly-owned subsidiary of the Company, (the "**Purchaser**") and Fortune Favour International Limited (the "**Vendor**") entered into the Sale and Purchase Agreement on 13 November 2017, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Wit Sky, at the consideration of HK$40.0 million (subject to adjustments). Details of the Acquisition have been disclosed in the announcements of the Company dated 27 October 2017 and 13 November 2017, respectively.

Wit Sky owns the entire equity interests in a company incorporated in Hong Kong with limited liability, which in turn owns the entire equity interests in the PRC with limited liability, which is principally engaged in industrial equipment, medical equipment, transportation equipment (aircraft, ships, vehicles, etc.), household products, product upstream and downstream supply chain and various types of financial leasing such as direct leasing, sublease, hire purchase, leveraged leasing, entrusted leasing and joint leasing the sale and dealing of the residual value of lease items, and leasing consultation business.

All conditions to the Sale and Purchase Agreement were fulfilled and completion of the Acquisition (the "**Completion**") with the consideration adjusted to HK$30.0 million on 28 February 2018. Following the Completion, the Wit Sky Group became wholly-owned subsidiaries of the Company. Details of the Completion were disclosed in the announcement of the Company dated 28 February 2018.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures of the Company during the period.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2018 (31 December 2017: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above for the Possible Disposals of ChipMOS Taiwan ADS and the Completion of the Acquisition for the Wit Sky Group, there was no specific future plans for material investments or capital assets of the Company as at 30 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a 46 employees (31 December 2017: 33 employees). Total employee benefits expenses, including Directors' emoluments, amounted to approximately HK$8.9 million (2017: HK$4.0 million) for the period.

The remuneration packages of employees are reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages include basic salaries, bonus, contributions to provident fund and medical benefits.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, none of the Directors nor the Chief Executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under 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 Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, the interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and Chief Executive of the Company) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

		Number of ordinary shares/Percentage of total issued share capital as at 30 June 2018 (Note 1)						
Name of shareholders	Capacity	Long positions	%	Short positions	%	Lending pool	%	Note
Glory Genius International Holdings Limited	Beneficial owner	146,392,770	43.49%	–	–	–	–	(2)
Mr. Tong Liang	Interest of controlled corporation	146,392,770	43.49%	–	–	–	–	(2)
Vision2000 Venture Ltd.	Beneficial owner	106,043,142	31.51%	–	–	–	–	(3)
Mosel Vitelic Inc.	Interest of controlled corporation	106,043,142	31.51%	–	–	–	–	(3)

Notes:

(1) Based on 336,587,142 ordinary shares of the Company in issue as at 30 June 2018.

(2) Glory Genius International Holdings Limited is owned as to 95% by Mr. Tong Liang and 5% by Ms. Chu Yung-Yi. Mr. Tong Liang and Ms. Chu Yung-Yi is therefore deemed to be interested in the shares held by Glory Genius International Holdings Limited.

(3) The 106,043,142 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Mosel Vitelic Inc. on 27 June 1997, Vision2000 Venture Ltd. is the controlled corporation of Mosel Vitelic Inc. and accordingly, Mosel Vitelic Inc. is deemed to be interested in the 106,043,142 shares of the Company held by Vision2000 Venture Ltd.

Save for those disclosed above, as at 30 June 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

During the period under review and subsequent to the date of the 2017 Annual Report of the Company, the changes in the information of the Directors and Chief executives of the Company as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules were as follows:

(i) Mr. Liew Fui Kiang, has been appointed as an independent non-executive director of Zhongchang International Holdings Group Limited (Stock Code: 859), listed on the Main Board of the Stock Exchange with effect from 12 January 2018;

(ii) Mr. Zhou Danqing has been re-designated as a non-executive Director of the Company with effect from 15 April 2018; and appointed as an executive director of DeTai New Energy Group Limited (Stock Code: 559), listed on the Main Board of the Stock Exchange with effect from 21 August 2018;

(iii) Each of Mr. Lee Man To and Ms. Choi Yee Man has been appointed as an independent non-executive Director of the Company with effect from 15 April 2018;

(iv) Each of Ms. Chow Chui Ying and Dr. Yang Yung-Ming has resigned as an independent non-executive Director of the Company with effect from 15 April 2018 and 15 June 2018 respectively; and

(v) Ms. Zhuge Chang has been appointed as an independent non-executive Director of the Company with effect from 15 June 2018.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors who together have substantial experience in auditing, business and regulatory affairs.

REVIEW OF FINANCIAL INFORMATION

The audit committee had reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2018.

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2018, the Company has complied with the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and complied with the code provisions contained therein except for the following deviation:

(1) Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The non-executive Director and the independent non-executive Directors were not appointed for specific terms. They are subject to retirement by rotation at least once every three years and re-election at the Company's annual general meeting in accordance with the Bye-laws. At every annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the nearest but no less than one-third shall retire from office by rotation. Every Director should be subject to retirement by rotation at least once every three years.

(2) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Directors were unable to attend the SGM held on 12 March 2018 due to their business commitment and other engagements. Besides, non-executive Director and one of the independent non-executive Directors were unable to attend the annual general meeting of the Company held on 15 June 2018 due to their business commitment and other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period under review, and they all have confirmed their respective full compliance with the required standard set out in the Model Code throughout the period covered by this interim report.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
REVENUE	4	**35,835**	11,506
Cost of sales		**(27,544)**	(4,972)
Gross profit		**8,291**	6,534
Other income	5	**1,007**	429
Other gains, net	6	**599**	98
Distribution costs		**(120)**	(32)
General and administrative expenses		**(15,420)**	(8,295)
LOSS BEFORE TAX	7	**(5,643)**	(1,266)
Income tax expense	8	**(175)**	(187)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(5,818)**	(1,453)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	9	**(1.73)**	(0.43)
Dividends	10	**–**	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
LOSS FOR THE PERIOD	**(5,818)**	(1,453)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value on available-for-sale investments	**–**	18,875
Changes in fair value on financial assets at fair value through other comprehensive income	**(557)**	–
Release of investment reserve upon disposal of financial assets at fair value through other comprehensive income	**(691)**	–
Exchange differences on translation	**(1,571)**	394
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(2,819)**	19,269
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(8,637)**	17,816

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant, and equipment	11	**3,904**	2,508
Goodwill	12	**2,357**	–
Intangible assets		**2,210**	–
Deferred tax assets		**472**	479
Available-for-sale investments	2(iii)	**–**	40,947
Financial assets at fair value through other comprehensive income	13	**24,428**	–
Long-term deposits		**111**	366
Total non-current assets		**33,482**	44,300
CURRENT ASSETS			
Inventories		**5,637**	4,807
Trade and bills receivables	14	**16,864**	12,507
Finance leases receivables		**15,270**	–
Deposits, prepayments and other receivables	15	**22,897**	43,214
Loans receivables	16	**22,793**	15,700
Investments at fair value through profit or loss	17	**1,200**	–
Current income tax recoverable		**–**	327
Cash and cash equivalents	18	**38,527**	43,296
Total current assets		**123,188**	119,851
CURRENT LIABILITIES			
Trade payables	19	**77**	150
Other payables and accruals	20	**4,063**	2,898
Income tax payables		**64**	–
Total current liabilities		**4,204**	3,048
NET CURRENT ASSETS		**118,984**	116,803
NET ASSETS		**152,466**	161,103
CAPITAL AND RESERVES			
Share capital	21	**134,922**	134,922
Other reserves		**(933)**	1,886
Retained earnings		**18,477**	24,295
Total equity		**152,466**	161,103

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital (Unaudited) HK$'000	**Other reserves** (Unaudited) HK$'000 (Note 22)	**Retained earnings** (Unaudited) HK$'000	**Total** (Unaudited) HK$'000
Balance at 1 January 2017	134,922	(8,674)	26,981	153,229
Loss for the period	–	–	(1,453)	(1,453)
Other comprehensive income				
Changes in fair value on available-for-sale investments	–	18,875	–	18,875
Exchange differences on translation	–	394	–	394
Total comprehensive income/(loss) for the period	–	19,269	(1,453)	17,816
Balance at 30 June 2017	134,922	10,595	25,528	171,045
Balance at 1 January 2018	**134,922**	**1,886**	**24,295**	**161,103**
Loss for the period	**–**	**–**	**(5,818)**	**(5,818)**
Other comprehensive loss				
Changes in fair value on financial assets at fair value through other comprehensive income	**–**	**(557)**	**–**	**(557)**
Release of investment reserve upon disposal of financial assets at fair value through other comprehensive income	**–**	**(691)**	**–**	**(691)**
Exchange differences on translation	**–**	**(1,571)**	**–**	**(1,571)**
Total comprehensive loss for the period	**–**	**(2,819)**	**(5,818)**	**(8,637)**
Balance at 30 June 2018	**134,922**	**(933)**	**18,477**	**152,466**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Net cash (used in)/generated from operating activities		**(17,589)**	8,270
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(2,210)**	–
Purchase of investments at fair value through profits or loss		**(6,400)**	–
Purchase of items of property, plant and equipment		**(1,803)**	(206)
Proceeds from disposals of financial assets at fair value through other comprehensive income		**15,962**	–
Proceeds from disposal of investments at fair value through profit or loss		**5,283**	–
Interests received		**467**	308
Dividends received		**–**	19
Net cash inflow from acquisition of subsidiaries	23	**1,511**	–
Net cash flows generated from investing activities		**12,810**	121
Net (decrease)/increase in cash and cash equivalents		**(4,779)**	8,391
Cash and cash equivalents at 1 January		**43,296**	81,726
Effect of foreign exchange rate changes, net		**10**	297
Cash and cash equivalents at 30 June		**38,527**	90,414

1. CORPORATE INFORMATION

PacRay International Holdings Limited (the "**Company**") was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of its principal place of business is Unit 902, Unicorn Trade Centre, 127-131 Des Voeux Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the period, the Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the People's Republic of China (the "**PRC**"), Hong Kong and Taiwan; sales and distribution of construction materials; financial leasing in the PRC and investments holding.

In the opinion of the directors of the Company (the "**Directors**"), Glory Genius International Holdings Limited, is the ultimate holding company of the Company and Mr. Tong Liang is the ultimate controlling party.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

These unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2017, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the "**new and revised HKFRS**") and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from Contracts from Customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed below.

HKFRS 9 Financial Instruments

As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- fair value through other comprehensive income – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- fair value through profit or loss, if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(i) Classification of financial assets and financial liabilities *(Continued)*

An investment in equity securities is classified as fair value through profit or loss unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at fair value through other comprehensive income (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the Group's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at fair value through profit or loss or fair value through other comprehensive income (non-recycling), are recognised in profit or loss as other income.

The directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in part (iii).

(ii) Impairment under Expected Credit Loss ("ECL") model

The Group recognises a loss allowance for ECL on financial assets, including trade and bills receivables, finance leases receivables, deposits and other receivables, loans receivables and cash and bank balance, which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(ii) Impairment under Expected Credit Loss ("ECL") model *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The measurement categories for all financial liabilities remain the same.

(iii) Summary of effects arising from initial application of HKFRS 9

The following table illustrates major changes and impacts on the classification and measurement (including impairment) of financial assets under HKFRS 9 at the date of initial application, 1 January 2018.

Statement of financial position (extract)	At 31 December 2017 (as originally presented)	Impact on initial application of HKFRS 9	At 1 January 2018 (as restated)
	HK$'000	HK$'000	HK$'000
Available-for-sale investments	40,947	(40,947)	–
Financial assets at fair value through other comprehensive income	–	40,947	40,947

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" on 1 January 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The directors of the Company expect that the adoption of HKFRS 15 at the date of initial application on 1 January 2018 does not have material effect on the Group's consolidated financial statements.

The financial information relating to the year ended 31 December 2017 that is included in these condensed consolidated interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements.

The condensed consolidated financial information have not been audited by the Company's independent auditors, but have been reviewed and commented on by the Company's audit committee.

3. ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. SEGMENT INFORMATION

The Group is principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the PRC, Hong Kong and Taiwan, sales and distribution of construction materials; financial leasing in the PRC; and investments holding.

For management purpose, the Group is organised into four main operations:

(i) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group's subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited ("**Shanghai SyncMOS**"), Hong Kong and Taiwan;

(ii) sales and distribution of construction materials. The Company had identified this new business and which commenced in November 2017;

(iii) corporate administration and investment functions performed by the Hong Kong headquarters; and

(iv) others. The Company has completed the acquisition of Wit Sky Group (please refer to note 23 to the condensed consolidated interim financial information for details) on 28 February 2018, and a new business segment on financial leasing operations in the PRC was introduced into the Group since 1 March 2018.

4. SEGMENT INFORMATION *(Continued)*

These operating segments are the basis on which the Group reports its primary segment information to the chief operating decision-maker who is the Chief Executive Officer.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of revenue, operating profit and net profit.

	Design and sales of integrated circuits (Unaudited) HK$'000	Sales and distribution of construction materials (Unaudited) HK$'000	Headquarter (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2018					
Revenues from external customers	23,063	12,627	–	145	35,835
Operating profit/(loss)	3,070	163	(9,268)	(525)	(6,560)
Interest income	14	–	784	119	917
Profit/(loss) before income tax	3,084	163	(8,484)	(406)	(5,643)
Income tax expense	(175)	–	–	–	(175)
Profit/(loss) for the period	2,909	163	(8,484)	(406)	(5,818)
Other segment information:					
Other (losses)/gains – net, included in results for the period	(7)	(192)	776	22	599
Depreciation and amortisation, included in the results for the period	331	–	50	12	393
Capital expenditures	979	–	824	–	1,803
As at 30 June 2018					
Segment assets	28,815	28,180	71,412	28,263	156,670
Segment liabilities	848	63	1,058	2,235	4,204

4. SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits (Unaudited) HK$'000	Headquarter (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 30 June 2017			
Revenues from external customers	11,506	–	11,506
Operating profit/(loss)	2,535	(4,116)	(1,581)
Interest income	3	312	315
Profit/(loss) before income tax	2,538	(3,804)	(1,266)
Income tax expense	(187)	–	(187)
Profit/(loss) for the period	2,351	(3,804)	(1,453)
Other segment information:			
Other (losses)/gains – net, included in results for the period	(14)	112	98
Depreciation and amortisation, included in the results for the period	264	17	281
Capital expenditures	206	–	206
As at 30 June 2017			
Segment assets	14,736	158,631	173,367
Segment liabilities	860	1,462	2,322

5. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income	**917**	315
Dividend income	**–**	28
Sundry income	**90**	86
	1,007	429

6. OTHER GAINS, NET

Other gains recognised during the period are as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Gains on disposals of financial assets at fair value through other comprehensive income	**691**	–
Investments at fair value through profit or loss:		
– fair value (losses)/gains, net	**(265)**	120
– gains on disposal	**348**	–
Exchange losses, net	**(172)**	(22)
Loss on disposal of property, plant and equipment	**(3)**	–
	599	98

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold*	**27,544**	4,972
Depreciation	**393**	281
Auditors' remuneration	**360**	395
Minimum lease payments under operating leases	**1,328**	800
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	**8,256**	3,428
Pension scheme contributions	**736**	607
	8,992	4,035
Research and development costs	**28**	28
Dividend income	**–**	(28)
Exchange losses, net	**172**	22
Interest income	**(917)**	(315)
Loss on disposal of property, plant and equipment	**3**	–
Gains on disposal of investments at fair value through profit or loss	**(348)**	–
Gains on disposals of financial assets at fair value through other comprehensive income	**(691)**	–
Fair value losses/(gains) on investments at fair value through profit or loss	**265**	(120)

* Included in "cost of sales" on the face of condensed consolidated interim statement of profit or loss.

8. INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. No provision for Hong Kong profits tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the period, except for one of the subsidiaries has available tax losses brought forward from prior years to offset the assessable profits generated during the period. Shanghai SyncMOS was registered as a New and High Technology Enterprise during the year ended 31 December 2017 and is subjected to a preferential Corporate Income Tax ("**CIT**") rate of 15% (2017: 15%).

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current – PRC		
Provision for the period	**246**	187
Over–provision in prior year	**(71)**	–
Total tax charge for the period	**175**	187

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic

Basic loss per share is calculated by dividing the consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss attributable to ordinary equity holders of the Company	**(5,818)**	(1,453)

	Number of shares	
	For the six months ended 30 June	
	2018	2017
	'000	'000
Weighted average number of ordinary shares in issue	**336,587**	336,587
	HK cents	HK cents
Basic loss per share	**(1.73)**	(0.43)

(b) Diluted

The Company has not issued any potentially dilutive ordinary shares during the period ended 30 June 2018 and 2017.

10. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (2017: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2018, the Group acquired assets with total cost of HK$1,803,000 (six months ended 30 June 2017: HK$206,000) excluding items acquired through business combination.

12. GOODWILL

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Cost and net carrying amount		
At 1 January	**–**	–
Acquisition of a subsidiary	**2,357**	–
At 30 June/31 December	**2,357**	–

At 30 June 2018, goodwill with carrying amount of HK$2,357,000 (31 December 2017: Nil) was allocated to the operation of financial leasing operations in the PRC. In the opinion of the directors, there was no indicator for impairment on the goodwill in relation to finance lease operations cash-generating unit based on the current operation performances and the expected future revenue growth rate.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Listed equity investment (Note (a))	**1,428**	–
Unlisted equity investment (Note (b))	**23,000**	–
	24,428	–

Notes:

(a) As at 30 June 2018, the Group owned 12,100 (31 December 2017: 130,362) ChipMOS Technologies Inc. ("**ChipMOS Taiwan**") American depository shares ("**ChipMOS Taiwan ADS**"), which is listed in the United States of America. During the period, the Group disposed 118,262 ChipMOS Taiwan ADS.

The Group classified its investment in ChipMOS Taiwan ADS as an available-for-sale investments as at 31 December 2017. Following the adoption of HKFRS 9 with effect from 1 January 2018, it has been reclassified as financial assets at fair value through other comprehensive income and stated at fair value, of which any fair value changes are recognised through other comprehensive income.

(b) As at 30 June 2018, a wholly-owned subsidiary of the Group owned 23,000,000 (31 December 2017: 23,000,000) shares (representing approximately 8.81% (31 December 2017: 8.81%)) in Cornerstone Securities Limited ("**Cornerstone**") at cost of HK$23,000,000. Cornerstone was incorporated in Hong Kong with limited liabilities and is principally engaged in securities brokerage business in Hong Kong.

The Group classified its investment in Cornerstone as an available-for-sale investments as at 31 December 2017. At 1 January 2018, the Group designated its investment in Cornerstone at fair value through other comprehensive income, as the investment is held for strategic purposes. Following the adoption of HKFRS 9 with effect from 1 January 2018, it has been reclassified as financial assets at fair value through other comprehensive income, of which any fair value changes are recognised through other comprehensive income.

14. TRADE AND BILLS RECEIVABLES

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Trade receivables	**14,792**	10,346
Bills receivables	**2,072**	2,161
Less: allowance for impairment of receivables	**–**	–
Trade and bills receivables	**16,864**	12,507

14. TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables

An aged analysis of trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within 1 month	**792**	8,766
More than 1 month but less than 3 months	**5,703**	1,391
More than 3 months but less than 6 months	**8,151**	189
Over 6 months	**146**	–
	14,792	10,346

The Group's credit terms to trade debtors range from 30 to 90 days (31 December 2017: 30 to 90 days).

Bills receivables

The maturity dates of the Group's bills receivables as at the end of the reporting period are as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within 1 month	**236**	516
More than 1 month but less than 3 months	**296**	985
More than 3 months but less than 6 months	**1,540**	660
	2,072	2,161

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Deposits	**1,032**	30,511
Prepayments	**15,642**	9,678
Proceeds receivable from derecognition of investments at fair value through profit or loss	**3,029**	3,029
Other receivables (Note)	**3,305**	362
	23,008	43,580
Less: non-current portion – long-term deposits	**(111)**	(366)
Current portion	**22,897**	43,214

Note: Included in other receivables' is an amount due from Mosel Vitelic Inc., a related company amounting of HK$3,000 (31 December 2017: HK$3,000). The amount due is unsecured, interest-free and repayable on demand.

16. LOANS RECEIVABLES

Loans are unsecured, fixed interest rates of 10% per annum (31 December 2017: 10% per annum) and receivables within 1 year.

The loans receivables are denominated in the following currencies:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
HK$	**15,700**	15,700
RMB	**7,093**	–
	22,793	15,700

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Listed equity investments, at market value	**1,200**	–

Balance represented equity shares listed in Hong Kong that are carried at fair values which are the quoted prices in an active market at the end of the reporting period.

18. CASH AND CASH EQUIVALENTS

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Cash and bank balances	**37,267**	42,038
Time deposits	**1,260**	1,258
Cash and cash equivalents	**38,527**	43,296

19. TRADE PAYABLES

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within 1 month	**14**	150
More than 1 month but less than 3 months	**63**	–
	77	150

The trade payables are non-interest bearing and are normally settled on terms of one month.

20. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Accrued staff benefits	**705**	1,273
Accrued professional fees	**545**	734
Advances from customers	**24**	406
Other payables	**2,789**	485
	4,063	2,898

21. SHARE CAPITAL

	Number of shares '000	Ordinary shares HK$'000	Share premium HK$'000	Total share capital HK$'000
At 1 January 2017, 31 December 2017 and 30 June 2018	336,587	33,659	101,263	134.922

The total authorised number of ordinary shares is 1,000 million shares (2017: 1,000 million shares) with a par value of HK$0.1 per share (2017: HK$0.1 per share). All issued shares are fully paid.

22. OTHER RESERVES

	Exchange reserve (Unaudited) HK$'000	Investment reserve (Unaudited) HK$'000	Total (Unaudited) HK$'000
At 1 January 2017	(203)	(8,471)	(8,674)
Changes in fair value on available-for-sale investments	–	18,875	18,875
Exchange differences on translation	394	–	394
At 30 June 2017	191	10,404	10,595
At 1 January 2018	**772**	**1,114**	**1,886**
Changes in fair value on financial assets at fair value through other comprehensive income	**–**	**(557)**	**(557)**
Release of investment reserve upon disposal of financial assets at fair value through other comprehensive income	**–**	**(691)**	**(691)**
Exchange differences on translation	**(1,571)**	**–**	**(1,571)**
At 30 June 2018	**(799)**	**(134)**	**(933)**

23. ACQUISITION OF A SUBSIDIARY

On 28 February 2018, the Group acquired 100% of the equity interest in Wit Sky Limited ("**Wit Sky**", together with its subsidiaries being referred as "**Wit Sky Group**") for a total consideration of HK$30,000,000. Wit Sky is an investment holding company and its indirectly owned subsidiary is principally engaged in financial leasing in the PRC. The fair value of the identifiable assets and liabilities of Wit Sky Group acquired as at the date of acquisition are as follows:

	(Unaudited) HK$'000
Net assets acquired:	
Property, plant and equipment	**80**
Cash and bank balances	**1,511**
Finance leases receivables	**16,015**
Deposits, prepayments and other receivables	**3,190**
Loan receivables	**7,425**
Other payables and accruals	**(578)**
Total identifiable net assets	**27,643**
Goodwill on acquisition (note 12)	**2,357**
Consideration	**30,000**

An analysis of cash flows in respect of the acquisition of a subsidiary is as follows:

	(Unaudited) HK$'000
Consideration	**30,000**
Less: Refundable deposit paid in 2017	**(30,000)**
Cash and bank balances acquired	**1,511**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**1,511**

24. OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments for office premises and staff quarters under non-cancellable operating leases are as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
– Not later than one year	**1,777**	1,347
– Later than one year and not later than five years	**508**	377
	2,285	1,724

The Group leases various offices under non-cancellable operating lease agreements. The lease terms are between one to three years.

25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated interim financial information, the Group entered into the following material transactions with related parties during the period ended 30 June 2018.

Key management compensation

Key management includes directors (executive and non-executive) and a senior management. The compensation paid or payable to key management for employee services is shown below:

	For the six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Basic salaries and allowances	**1,996**	1,043

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the listed investment of financial assets at fair value through other comprehensive income and investments at fair value through profit or loss as disclosed in notes 13 and 17 to the consolidated financial statements, all financial assets and liabilities of the Group as at 30 June 2018 and 31 December 2017, are loans and receivables, and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash and cash equivalents, loans receivables, trade and bills receivables, deposits and other receivables and trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the Board and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Board. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's available-for-sale investments and investments at fair value through profit or loss:

	Fair value measurement			
	Quoted prices in active markets Level 1	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
30 June 2018				
Financial assets at fair value through other comprehensive income:				
Listed equity investments	**1,428**	**–**	**–**	**1,428**
Unlisted equity investment	**–**	**–**	**23,000**	**23,000**
Investments at fair value through profit or loss	**1,200**	**–**	**–**	**1,200**
	2,628	**–**	**23,000**	**25,628**
31 December 2017				
Available-for-sale investments:				
Listed equity investments	17,947	–	–	17,947

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

27. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorized for issue by the Board on 17 August 2018.