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

(Incorporated in Bermuda with limited liability)

Stock Code: 1010

ANNUAL REPORT 2019

CONTENTS

Printed on environmentally friendly paper

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Lin *(Chairman)* *Note 1*
Mr. Leung Pok Man
Ms. Lau Mei Ying
Mr. Xu Yinsheng *Note 2*
Mr. Xu Beinan *Note 3*
Mr. Liu Shixia *Note 4*
Mr. Liew Fui Kiang *Note 5*
Mr. Wei Xiao *Note 6*

Non-executive Director

Mr. Zhou Danqing

Independent Non-executive Directors

Mr. Lee Man To
Ms. Choi Yee Man
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

BOARD COMMITTEES

Audit Committee

Mr. Lee Man To *(Chairman)*
Ms. Choi Yee Man
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

Remuneration Committee

Ms. Choi Yee Man *(Chairman)*
Mr. Lee Man To
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

Nomination Committee

Ms. Choi Yee Man *(Chairman)*
Mr. Lee Man To
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

Notes:

1. *Appointed on 15 January 2019*
2. *Appointed on 25 April 2019*
3. *Appointed on 14 April 2020*
4. *Appointed on 3 July 2019 and resigned on 14 April 2020*
5. *Resigned on 15 January 2019*
6. *Resigned on 3 July 2019*
7. *Appointed on 4 March 2019*
8. *Resigned on 4 March 2019*

COMPANY SECRETARY

Mr. Zhou Danqing [Note 1]
Ms. Wong Po Ling, Pauline [Note 2]

STOCK CODE

1010

WEBSITE

http://pacray.com.hk

AUDITOR

Zenith CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Michael Li & Co.

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
Dah Sing Bank, Limited
The Hongkong & Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Notes:

1. *Appointed on 13 September 2019*
2. *Resigned on 13 September 2019*

EXECUTIVE DIRECTORS

Mr. Yang Lin, aged 46, has been appointed as executive director and the chairman of the Board of the Company on 15 January 2019. He is a senior management of Shenzhen Magic Display Technology Co., Ltd* (深圳奇屏科技有限公司), a company was acquired 70% equity interest by an indirect wholly-owned subsidiary of the Company in January 2019. He was a chief executive officer (CEO) of Shenzhen Zhong Shi Tai He Digital Technology Limited* (深圳中視泰和數碼科技有限公司) from April 2013 to May 2015. He has extensive experience in the area of management.

Mr. Yang is currently chairman of the Board of the Company.

Mr. Leung Pok Man, aged 51, have been appointed as executive director of the Company on 31 August 2017. He graduated from York University in Toronto, Canada with a bachelor's degree in business studies. He has over 16 years' experience in sales management & business development in the industry relating to information technology and audio-visual systems. He is currently the sales and business development consultant of a trading company of information technology and network products and mobile accessories.

From 4 November 2015 to 17 December 2019, Mr. Leung was an independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of Link-Asia International Co. Ltd (stock code: 1143) which is listed on the Main Board of The Stock Exchange of Hong Kong (the "**Stock Exchange**").

Mr. Leung acts as the director of wholly-owned subsidiaries of the Company.

Ms. Lau Mei Ying, aged 38, has been appointed as executive director of the Company on 31 August 2017. She graduated from The Chinese University of Hong Kong with a Bachelor of Social Science degree in Economics. She is currently a fellow member of Life Management Institute issued by Life Office Management Association since November 2008. She has extensive experience in the financial market and insurance underwriting.

Ms. Lau is currently an independent non-executive director of Cornerstone Financial Holdings Limited (stock code: 8112) which is listed on GEM Board of the Stock Exchange. She was an independent non-executive director of Boill Healthcare Holdings Limited (stock code: 1246) which is listed on Main Board of the Stock Exchange from 15 July 2015 to 17 July 2017.

Ms. Lau acts as the director of wholly-owned subsidiaries of the Company.

Mr. Xu Yinsheng, aged 36, has been appointed as executive director of the Company on 25 April 2019. He graduated from Shanghai University of Engineering Science (上海工程技術大學) with a bachelor's degree of Aircraft Mechanical and Electrical Equipment Maintenance in 2006. He is currently as assistant director of Zhongying Holdings Group Limited – Shanghai branch* (中盈控股集團有限公司-上海分公司) since December 2018. Also, he was a director of Xinjiang Hongkun Engineering Technology Co., Ltd.* (新疆泓坤工程技術股份有限公司) (NEEQ: 833867) from September 2018 to July 2019. He was a manager of maintenance control center (MCC Manager) of Shanghai Meridian Business Aviation Co., Ltd.* (上海子午線公務航空有限公司) from October 2017 to November 2018. He was a chairman of the board and a director of Shanghai Zhuoya Aviation Service Co., Ltd.* (上海卓雅航空服務有限公司) from May 2018 to October 2018. He has extensive experience in the area of business aviation industry.

Mr. Xu is currently vice president of the Company and acts as the director of wholly-owned subsidiaries of the Company.

Mr. Xu Beinan, aged 43, has been appointed as executive director of the Company on 14 April 2020. He graduated from the Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the People's Republic of China with a bachelor's degree in international business management in 1999. He had also obtained a certificate of the Chinese Certified Public Accountant and is a certified auditor in the People's Republic of China. From 1999 to 2002, Mr. Xu served as a cashier and accountant at NetEase Inc., (網易), a Chinese internet technology company listed on the NASDAQ Capital Market (NASDAQ: NTES). From 2002 to 2008, Mr. Xu was the audit manager of Ernst & Young (安永會計師事務所). From 2008 to 2010, Mr. Xu was the senior manager in the finance department of China Jinmao Holdings Group Limited (Stock Code: 817) (中國金茂控股集團有限公司). From 2010 to 2014, Mr. Xu served as the financial controller of Lanhai Xingang City Properties Company Limited* (藍海新港城置業有限公司) ("**Lanhai**"). From 2014 to 2016, Mr. Xu served as the financial controller of Qingdao Jinmao Properties Company Limited (Shandong Regional Corporation)* (青島金茂置業有限公司（山東區域公司）) and a director of Lanhai. From 2016 to 2019, Mr. Xu served as the financial controller of Zhongmin Bund Real Estate Development Co., Ltd.* (中民外灘房地產開發有限公司). From 2019 to 2020, Mr. Xu served as an executive director and chief financial officer of Yida China Holdings Limited (Stock Code: 3639) (億達中國控股有限公司).

Mr. Xu is currently chief executive officer of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Zhou Danqing, aged 33, have been re-designated as a non-executive director of the Company on 15 April 2018 and was appointed as independent non-executive director of the Company from 31 August 2017 to 15 April 2018. He was appointed as the company secretary of the Company on 13 September 2019. He obtained a bachelor's degree in business administration from the Chinese University of Hong Kong. He is a Chartered Financial Analyst, Financial Risk Manager charter-holder, and a member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries and Administrators. He has over 10 years of experience in finance.

Mr. Zhou was the executive director of DeTai New Energy Group Limited (stock code:559) which is listed on the Main Board of the Stock Exchange from 21 August 2018 to 18 October 2018 and had been re-designated to non-executive director from 18 October 2018 to 26 October 2018.

Mr. Zhou acts as the company secretary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Man To, aged 46, have been appointed as independent non-executive director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 15 April 2018. He graduated in the Hong Kong Polytechnic University with Bachelor degree in accountancy in 1995. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 24 years of experience in auditing, accounting and finance.

Mr. Lee is currently the executive director, financial controller, qualified accountant and company secretary of Combest Holdings Limited (stock code: 8190) which is listed on the GEM Board of the Stock Exchange. He is an independent non-executive director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of Sino Harbour Holdings Group Limited (stock code: 1663) which is listed on Main Board of the Stock Exchange. He is also an independent non-executive director, the chairman of the audit committee, the remuneration committee and the nomination committee of Asia Pacific Silk Road Investment Company Limited (stock code: 767) which is listed on Main Board of the Stock Exchange.

Ms. Choi Yee Man, aged 30, have been appointed as independent non-executive director, the chairman of each of the nomination committee and remuneration committee and a member of audit committee of the Company on 15 April 2018. She graduated in The City University of Hong Kong with Bachelor degree in Accountancy. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. She has extensive experience in the area of accounting, finance, auditing and corporate secretarial matters.

Ms. Choi is currently a company secretary of Yuk Wing Group Holdings Limited (stock code: 1536) which is listed on the Main Board of the Stock Exchange. She was a company secretary of Teamway International Group Holdings Limited (stock code: 1239) which is listed on the Main Board of the Stock Exchange from 1 June 2015 to 17 May 2019.

Mr. Zhang Shengdong, aged 55, has been appointed as independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of the Company on 4 March 2019. He graduated in Peking University (北京大學) with doctoral degree in Sciences in 2002. He is currently a professor of School of Electronic and Computer Engineering of Peking University (北京大學- 信息工程學院).

Mr. Zhang was a director of Shenzhen Topray Solar Co., Ltd (深圳拓日新能源科技股份有限公司) from February 2010 to May 2016, which is listed on the Shenzhen Stock Exchange in the People's Republic of China. He has been a director of Shenzhen Refond Optoelectronics Co., Ltd (深圳市瑞豐光電子股份有限公司) since December 2019, which is listed on the Shenzhen Stock Exchange in the People's Republic of China.

CHIEF STRATEGY OFFICER

Ms. Chu Yung Yi, aged 45, was appointed as the chief executive officer of the Company on 31 August 2017 and has been re-designated as chief strategy officer of the Company on 31 December 2018. Ms. Chu obtained a Bachelor of Laws degree from the National Taiwan University in 1997 and a Master of Laws degree from Duke University School of Law in 2003. Ms. Chu had worked in several law firms since 1997 and has extensive experience in areas of mergers and acquisitions, capital markets, direct investment and general and securities consultation. In addition, Ms. Chu was a director of the foundation that manages the Grand Hotel (Taipei and Kaohsiung) (圓山大飯店（台北暨高雄）) from 2014 to 2016. At present, Ms. Chu is (i) a special counsel in Baker & McKenzie's Taipei office; (ii) a director of Cayenne's Ark Mobile Co., Ltd., of which the shares are listed in Emerging Stock Board in the Taipei Exchange (6611: TT); and (iii) a shareholder interested in 5% of the total issued share capital of Glory Genius International Holdings Limited, a substantial shareholder of the Company.

COMPANY SECRETARY

Mr. Zhou Danqing was appointed as company secretary of the Company on 13 September 2019. Mr. Zhou is also a non-executive director of the Company. Please refer to his biographies above for more information.

* *For identification purposes only*

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the audited financial statements and this Annual Report of the Company for the year ended 31 December, is set out below:

RESULTS

	2019 **HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Revenue	**74,339**	60,709	36,580	17,337	13,614
Loss before tax	**(22,353)**	(40,167)	(2,637)	(4,895)	(25,798)
Income tax (expense)/credit	**(361)**	(20)	(49)	(99)	545
Loss for the year	**(22,714)**	(40,187)	(2,686)	(4,994)	(25,253)
Attributable to owners of the parent	**(21,065)**	(40,187)	(2,686)	(4,994)	(25,253)

ASSETS AND LIABILITIES

	31 December **2019** **HK$'000**	31 December 2018 HK$'000	31 December 2017 HK$'000	31 December 2016 HK$'000	31 December 2015 HK$'000
Non-current assets	**49,724**	34,298	44,300	49,932	3,618
Net current assets	**51,824**	84,050	116,803	103,297	163,824
Total assets less current liabilities	**101,548**	118,348	161,103	153,229	167,442
Non-current liabilities	**(5,637)**	–	–	–	–
Net assets	**95,911**	118,348	161,103	153,229	167,442
Shareholders' equity					
Share capital	**134,922**	134,922	134,922	134,922	134,922
Reserves	**(38,430)**	(16,574)	26,181	18,307	32,520
	96,492	118,348	161,103	153,229	167,442
Non-controlling interest	**(581)**	–	–	–	–
	95,911	118,348	161,103	153,229	167,442

On behalf of the board of directors (the "**Board**") (the "**Directors**") of PacRay International Holdings Limited (the "**Company**"), I hereby report on the financial results and operations of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

BUSINESS REVIEW

For the year ended 31 December 2019, the Group is principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) trading of construction materials; (iii) financial leasing in the PRC; (iv) money lending in Hong Kong; (v) research and development in real time 2D-3D conversion display products; (vi) aircraft business management; and (vii) investment holding.

For the year ended 31 December 2019, Design and distribution of integrated circuit and semi-conductor parts in People's Republic of China, Hong Kong and Taiwan remains as the core business of the Group. The Group's new business, including aircraft service and luxury yacht management, has been running smoothly and making profits through 2019. On the other hand, the businesses of (i) money lending in Hong Kong; and (ii) research and development in real time 2D-3D conversion display products are minor segments of the Group in terms of operation sizes. In March 2020, the Company has decided to exit from the business of research and development in real time 2D-3D conversion display products.

For the year ended 31 December 2019, the Group recorded a consolidated revenue of approximately HK$74.3 million (2018: approximately HK$60.7 million) and a loss for the year attributable to owners of the parent of approximately HK$21.1 million (2018: approximately HK$40.2 million). Looking back into the year ended 31 December 2019, the Group was experiencing a tough and challenging business environment, with lower economy growth momentum, higher cost pressure, higher competitive forces and more uncertain prospects. Despite the management used their best endeavor to deal with such hardship, certain business segments of the Group have experienced a sharp decline, while others maintained a normal performance. In general, the Group recorded an improved result compared with last year.

BUSINESS OUTLOOK

The management of the Group is conservative, if not negative, on the prospects in the year 2020. For the year ended 31 December 2019, the global economy has shown signs of hardship: (i) the Chinese economy was slowing down its growth momentum; and (ii) the Hong Kong economy entered into a recession which has not been witnessed in over one decade. The U.S.-China trade conflict remains unmitigated and the political uneasiness in Hong Kong remains unpleased. Then in early 2020, there came the COVID-19 outbreak, which has already interrupted the Group's operation in the PRC. Worse still, the management is afraid that more profound impact of the virus outbreak is not fully revealed. Possible challenges to the Group may include significantly higher material cost for its production activities and significantly higher default rates for its financial service activities. In view of the increasing uncertainties in economic environment, the business growth has become increasingly challenging for the Group's operation. Hence, the Group will continue with its cautious and prudent business approach.

FINAL DIVIDEND

No dividend for the year ended 31 December 2019 (2018: Nil) is recommended by the Board.

APPRECIATION

I would like to take this opportunity to thank our employees for their efforts taken in the past year and our shareholders for the continued support to our Group.

For and on behalf of the Board
PacRay International Holdings Limited

Yang Lin
Chairman

Hong Kong, 12 May 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2019, the Group is principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) trading of construction materials; (iii) financial leasing in the PRC; (iv) money lending in Hong Kong; (v) research and development in real time 2D-3D conversion display products; (vi) aircraft business management; and (vii) investment holding.

For the year ended 31 December 2019, the businesses of (i) money lending in Hong Kong; and (ii) research and development in real time 2D-3D conversion display products are minor segments of the Group in terms of operation sizes. In March 2020, the Company has decided to exit from the business of research and development in real time 2D-3D conversion display products.

For the year ended 31 December 2019, the Group recorded a consolidated revenue of approximately HK$74.3 million (2018: approximately HK$60.7 million) and a loss for the year attributable to owners of the parent of approximately HK$21.1 million (2018: approximately HK$40.2 million). Looking back into the year ended 31 December 2019, the Group was experiencing a tough and challenging business environment, with lower economy growth momentum, higher cost pressure, higher competitive forces and more uncertain prospects. Despite the management used their best endeavor to deal with such hardship, certain business segments of the Group have experienced a sharp decline, while others maintained a normal performance. In general, the Group recorded an improved result compared with last year.

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts in People's Republic of China (the "**PRC**"), Hong Kong and Taiwan remains as the core business of the Group. The Group acquired raw material integrated circuit ("**IC**") and semi-conductor related parts from external suppliers and relies on internet technology and related equipment for design of IC related products before sourcing out to external sub-contractors for production and does 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, a core research and development team in Shanghai operations provides the design of the products and the products are then sourced to certain external suppliers or sub-contractors for subsequent productions. After conducting successful testing of the sub-contracted products in Shanghai operations, the Group then sold the products to customers, which are usually end-product manufacturers/producers.

For the year ended 31 December 2019, the operation of this segment recorded (i) a revenue of approximately HK$30.5 million, which shows a decrease of approximately 16.2% as compared with the corresponding period last year; and (ii) a gross profit of approximately HK$14.2 million, which shows an increase of approximately 4.3% as compared with the corresponding period last year. Management has noticed that competition in the PRC IC market was becoming more intensive, due to technology advances, cost increases and customers' changing demands. Especially, as the US-China trade war continued and the US dollars appreciated in 2019, the cost of raw material (e.g. silicon wafers which are of US dollar settlement) and staff continued increasing, which leaded to lower profit margin and higher operating pressure.

There are mainly two types of products in integrated circuit and semi-conductor parts: 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 58% (2018: approximately 68%) and approximately 42% (2018: approximately 32%) of the revenue was generated from the caliper and MCU respectively. The management continued its strategy on (i) improving the competitiveness of the products; and (ii) developing new product lines and sales and distribution channels.

Trading of construction materials

The segment of trading of construction materials had a sharp decrease in 2019. The Group mainly served customers in the Pan-Asia Pacific, including certain islands of the US territories. In 2019, the US-China trade war significantly damaged customers' confidence in stableness of the Group's supply chain. Despite the management's arduous effects to improve customer relationship and confidence, no concrete purchase orders from new customers have been placed in 2019. On the other hand, existing customers of this segment had experienced operation down-scale or stagnancy for months in 2019, which in turn lowered their demands in the Group's supplies. Plus, the management decided to holdover some of the existing customers' purchase orders after carefully considering their financial difficulties and payment abilities. The operation in trading of construction materials recorded nil revenue for the year ended 31 December 2019 (2018: approximately HK$23.9 million). The Group's response to such hardship in the business environment was to remain cautious, prudent and conservative, with possibility of scaling down operation size and avoiding unnecessary costs, such as marketing and promotion expenses.

Financial leasing in the PRC

The Group operates its financial leasing business in the PRC through its indirectly wholly-owned subsidiary, Solomon International Leasing (Tianjin) Company Limited* ("**Solomon**"), which is principally engaged in various types of financial leasing, such as direct leasing, sublease, hire purchase, leveraged leasing, entrusted leasing, joint leasing, sale and dealing of the residual value of lease items and leasing consultation business.

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$0.9 million (2018: approximately HK$0.3 million) deriving from its financial leasing businesses in the PRC. Although at a lower rate, the PRC economy maintained a growth trend, thanks to which the demand for financial leasing in the PRC remains high. However, the year 2019 witnessed a higher default rate due to increasing economic uncertainty and harshening business environment. The management has accordingly adopted stricter policies to identify possible customers and to negotiate a leasing deal. Therefore, operation scale of this segment became smaller as compared with 2018, with the total money value of leasing amounts decreasing from approximately HK$5.8 million in 2018 to approximately HK$5.7 million in 2019.

Money lending in Hong Kong

The Group operates its money lending business through its indirectly wholly owned subsidiary, Wellba Investment Limited (裕霸投資有限公司), which is principally engaged in money lending in Hong Kong. In the past, main customers of this segment include high-value clients and listed companies in Hong Kong.

For the year ended 31 December 2019, the Group recorded an interest income of HK$1.3 million (2018: approximately HK$2 million) in this segment. In 2019, protests against the political establishment in Hong Kong leaded to a more challenging and more uncertain business environment. Hong Kong economy has been decreasing at the sharpest rate in over one decade. Given such political uncertainty and economic recession, the management has decided to scale down this segment after taking into account the increasing credit risks, despite there was a larger demand for money lending services in Hong Kong. The management is of the view that a cautious and conservative strategy is more appropriate in the existing environment.

Research and development in real time 2D-3D conversion display products

In January 2019, the Group acquired 70% equity interest of Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司) ("**Shenzhen Qiping**"), which is principally engaged in hardware and software integration services for real time 2D-3D conversion display products. The Group has therefore tapped into this high-tech industry.

Group of Shenzhen Qiping is a technology servicer principally engaged in (i) research and development in real time 2D-3D conversion display products; and (ii) selling and providing maintenance services for integrated real time 2D-3D conversion display system on tablet computer, electronic products, digital products, cellphone batteries, wireless data terminals and cellphone accessories with maintenance services to the end user.

Given that real time 2D-3D conversion display is technically new and has not fully expanded its market, the Group recorded a minor revenue of approximately HK$0.5 million (2018: nil). Since late 2019, this segment showed a sign of decline.

The business of Shenzhen Quipping has a nature of innovation and high-tech, and therefore the Group originally expected of a profit in the long term. However, the Group did not have sufficient resources to support the growth of the business of Shenzhen Qiping, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan of Shenzhen Qiping. Therefore, the Company is of the view that this business segment's full potential may take a longer time to realize than the Company's original expectation.

On 28 March 2020, the Company had conditionally agreed to dispose of its whole interests in the business of Shenzhen Qiping to a third party independent to the Group at the consideration of HK$2.5 million. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase the business of Shenzhen Qiping at HK$2.6 million within 12 months since 28 March 2020.

Given the relatively small size of Shenzhen Qiping, the Company is of the view that exiting from this business segment would not have a material impact on the operations and financials of the Group as a whole.

* *For identification purposes only*

Aircraft business management and luxury yacht management

To further diversify the business units of the Group, the Company announced on 25 April 2019 that it would (i) carry out luxury yacht relevant business, including but not limited to luxury yacht sales agent, leasing and trading business; and (ii) explore opportunities relating to aircraft business, including but not limited to jet business management, aircraft sales service and pilot training service. International Business Aviation (Hong Kong) Limited (香港國際公務航空有限公司) ("**IBA HK**") (formerly known as Rockey Company Limited), a subsidiary of the Company, completed the change of its company name in May 2019. On the basis of the original business, IBA HK has organically expanded into aircraft business management and related operation services.

On 1 May 2019, IBA HK entered into a business aircraft entrusted management contract with aircraft owners in respect of three private business aircrafts, which is registered by Federal Aviation Administration (FAA). Hence, the business aircraft service has been launched formally by IBA HK.

On 23 July 2019, IBA HK entered into a sales agency framework cooperation agreement with Liaoning Jinlong Super Yacht Manufacturing Co., Ltd.* (遼寧錦龍超級遊艇製造有限公司) ("**Jinlong**") in the PRC, intending to become a non-exclusive agent of the yacht products from Jinlong in Europe, South America, the United States, Hong Kong and Shenzhen to sell its 46-meter super yachts and 110-inch catamaran yachts.

With the efforts of the management team of IBA HK, the Group's business aircraft service and luxury yacht management has been running smoothly and making profits through 2019. The management has been focusing on expanding the PRC and overseas markets. The main revenue comprises of business aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee, etc. For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$42.9 million (2018: Nil) of this segment.

Investment holding

(i) Investment in Cornerstone Securities Limited

As at 31 December 2019, the Group had 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities (the "**Investment in Cornerstone Securities**"). Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 6 regulated activity (advising on securities) and is principally engaged in security dealing business.

The Investment in Cornerstone Securities was initially acquired by the Group in November 2017 at the cost of HK$23.0 million. As at 31 December 2019, this investment had a fair value of approximately HK$23.1 million according to a valuation prepared by external independent qualified valuer, representing approximately 14.0% of the Group's consolidated total assets of approximately HK$164.8 million as at 31 December 2019. For the year ended 31 December 2019, this investment recorded an unrealized loss of approximately HK$0.1 million, generated from change in fair value included in other comprehensive income. There was no realized gain or loss, or dividends received.

The Group has made an irrevocable election to account the Investment in Cornerstone Securities as fair value through other comprehensive income. The Group intends to hold this investment as a long-term investment. For the year ended 31 December 2019, there was no pattern or practices of short-term profit-making related to it.

(ii) Investment in ChipMOS

As at 1 January 2019, the Group had an investment on 10,284 American depositary shares of ChipMOS Technologies Inc. ("**ChipMOS**"), representing approximately 0.21% of the issued and outstanding American depositary shares of ChipMOS (the "**Investment in ChipMOS**") based on the public information.

ChipMOS is listed on the Taiwan Stock Exchange Market in April 2014 (TWSE: 8150), and a leading independent provider of total semiconductor testing and packaging solutions to fabless companies, integrated device manufacturers and foundries. ChipMOS merged with its parent company, ChipMOS Technologies (Bermuda) Limited in October 2016. Consideration of the merger was the combination of cash and newly-issued American depository shares trading on the NASDAQ Stock Market with ticker of "IMOS". Further information on ChipMOS can be found on the website of www.chipmos.com.

The Investment in ChipMOS had a cost of approximately HK$1.3 million, and was regarded as a held-for-trading equity instrument. On 7 March 2019, the Group disposed all of its remaining 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 per ChipMOS Taiwan ADS. For the year ended 31 December 2019, this investment recorded (i) dividends income of HK$Nil million; and (ii) a realized gain of approximately HK$0.02 million, generated from dealing activities.

(iii) Investment in Imperial Pacific

As at 31 December 2019, the Group had an investment on 15,000,000 listed shares of Imperial Pacific International Holdings Limited ("**Imperial Pacific**"), representing 0.01% of the issued shares of Imperial Pacific (the "**Investment in Imperial Pacific**") based on the public information.

Imperial Pacific is listed on the Stock Exchange (stock code: 1076), and is principally engaged in the gaming and resort business including the development and operation of integrated resort on the Island of Saipan. Further information on Imperial Pacific can be found on the website of www.imperialpacific.com.

The Investment in Imperial Pacific had a cost of approximately HK$1.5 million. As at 31 December 2019, this investment had a fair value of approximately HK$1.5 million according to the quoted price of the shares of Imperial Pacific, representing approximately 0.9% of the Group's consolidated total assets of approximately HK$164.8 million as at 31 December 2019. For the year ended 31 December 2019, this investment recorded (i) no dividends; (ii) no realized gain; and (iii) an unrealized gain of approximately HK$0.8 million, generated from change in fair value. The Group intends to held the Investment in Imperial Pacific as a held-for-trading equity.

BUSINESS OUTLOOK

The management of the Group is conservative, if not negative, on the prospects in the year 2020. For the year ended 31 December 2019, the global economy has shown signs of hardship: (i) the Chinese economy was slowing down its growth momentum; and (ii) the Hong Kong economy entered into a recession which has not been witnessed in over one decade. The U.S.-China trade conflict remains unmitigated and the political uneasiness in Hong Kong remains unpleased. Then in early 2020, there came the COVID-19 outbreak, which has already interrupted the Group's operation in the PRC. Worse still, the management is afraid that more profound impact of the virus outbreak is not fully revealed. Possible challenges to the Group may include significantly higher material cost for its production activities and significantly higher default rates for its financial service activities.

In view of the increasing uncertainties in economic environment, the business growth has become increasingly challenging for the Group's operation. Hence, the Group will continue with its cautious and prudent business approach.

Design and sales of integrated circuit and semi-conductor parts

The management shall carry on tremendous effort to improve the existing products over competitors both in terms of performance as well as price. Meanwhile, the management is diligently diversifying different product lines and exploring new sales and distribution channels in order to broaden the revenue source. More cost control measures will be adopted by the management depending on the future business trends.

Trading of construction materials

The management is considering to downsize, temporarily close or discontinue this segment due to lack of appropriate opportunities and increasing default risk of its customers. Given the financial and operational difficulty encountered by existing customers, the management intends to focus on recovering receivables. Save for taking up normal procedures, the management is in the course of assessing other options to increase recoverability, including but not limited to (i) filing bankruptcy petition against the customer; (ii) requesting collaterals as guarantee for the receivables; (iii) seeking factoring services from professional financial institutions; and/or (iv) settling the receivables with other assets.

On 27 March 2020, the Company has entered into a settlement package with a customer to recover and settle all the amount owed by this customer to the Group, including a billing amount of approximately HK$23.4 million generated from the business segment of trading of construction materials. For more information, please refer to the section "Transactions after the Reporting Period".

Financial leasing in the PRC

The management will adopt a stricter policy in this segment to deal with generally increasing credit risk in the PRC. The management reserves the option of halting expansion of this segment, such as turning down new customers. The management is also assessing whether additional steps are required to recover the receivables from customers. Under a more prudent strategy, the management expects this segment will have a scale-down.

Money lending in Hong Kong

The management will continuously adopt a cautious and conservative strategy when accepting new money lending proposals in Hong Kong. On the other hand, the management will closely monitor the recoverability of the loans granted before. Given the economic downslide in Hong Kong, the management expects this segment will have a scale-down.

Research and development in real time 2D-3D conversion display products

On 28 March 2020, the Company had conditionally agreed to dispose of its whole interests in the business of this segment to a third party independent to the Group. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase this business at an acceptable price within 12 months since 28 March 2020.

Upon completion of the disposal, the Group will exit from this business, but keep an option to re-enter by having a buy-back right. Although the Company has no intention to exercise the buy-back right as at this moment, the management will monitor the performance, trend and prospects of real time 2D-3D conversion display products, from time to time.

Aircraft business management and luxury yacht management

The Company management will continue to explore business opportunities relating to aircraft business management and luxury yacht management. The Group has adopted a market-expansion strategy by actively identifying potential clients. Given the potential of this business segment, the management is of the view that it will broaden the Group's revenue source and bring better return to the Company.

Investment holding

The world economy maintained a moderate pace of growth, with uncertainty over international trade and global economic and financial returns. The management will maintain a cautious and prudent approach for exploring any new investment opportunities to enhance shareholder's value.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group achieved a revenue of approximately HK$74.3 million, representing an increase of approximately 22.5% as compared to approximately HK$60.7 million in 2018. The revenue was principally contributed by the Group's core business, i.e. design and sales of integrated circuit and semiconductor parts business operations, and the new business segment, i.e. the aircraft business management. On the other hand, certain business segments, including the trading in construction materials, had experienced a hard business environment and a sharp operation downsize in 2019, and therefore recorded a decline in revenue.

Operating expenses

Operating expenses amounted to approximately HK$46.9 million in the year ended 31 December 2019 and 2018.

Loss for the year

For the year ended 31 December 2019, loss for the year attributable to owners of the parent is approximately HK$21.1 million as compared to approximately HK$40.2 million in 2018. The decrease in loss was mainly attributable to the Group's cost-control measures. Basic loss per share attributable to ordinary equity holders of the parent is HK$6.26 cents, as compared to HK$11.94 cents in 2018.

Liquidity and financial resources

For the year ended 31 December 2019, the Group had no fund raising activities.

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately HK$8.5 million as compared to approximately HK$25.6 million as at 31 December 2018.

As at 31 December 2019, the Group had no outstanding bank loan and no financing cost was incurred for the year (2018: 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 71.9% as at 31 December 2019 (2018: approximately 3.76%). The Group did not have any debt financing during the year, and no finance cost was incurred.

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi as the Group mainly had operations in the PRC. Certain material used in the IC and semi-conductor parts are settled in US dollars, which exposed the Group to exchange fluctuations of US$-RMB. Nevertheless, the Board considers that the Group in general 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

For the year ended 31 December 2019, there was no change to the authorized share capital and the issued shares of the Company.

As at 31 December 2019, the Group had no bank borrowings (2018: nil). As at 31 December 2019, the shareholders' fund amounted to approximately HK$96.5 million (2018: approximately HK$118.3 million).

Investments and capital assets

As at 31 December 2019, the Group had two equity investments, including (i) approximately 8.8% of the entire issued capital of Cornerstone Securities Limited; and (ii) 15,000,000 listed shares of Imperial Pacific International Holdings Limited. More information about the investment is disclosed in the section headed "Investment holding" in the "Business Review".

For the year ended 31 December 2019, the Group acquired property, plant and equipment of approximately HK$0.8 million as compared with approximately HK$3.0 million in 2018.

Pledge of assets

As at 31 December 2019, the Group did not have any pledge of assets (2018: nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. The risk factors listed below may directly or indirectly lead to significant differences in the Group's operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not known by the Group or may not be noticeable at present, but may become significant in the future.

Business Risk

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the Group's final products and services. Some products, for example, integrated circuits and semi-conductor parts manufactured by the Group, have a relatively standardized design and/or predetermined production cycle, and therefore may not be able to meet changeable requirements of the customers. If the Group fails to adapt and respond successfully, it may adversely affect the business performance and development prospects.

Raw materials or outsourced services which are provided by the Group's suppliers are subject to price fluctuations. The Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any increases in these raw materials or outsourced services will exert pressures on the Group's production costs, gross profits and final prices that the Group in turn charges the customers. Should there be any significant increases in the prices of raw materials or outsourced services which are out of expectation over a period, it will significantly damage the Group's performances.

Industry Risk

All business segments of the Group are operated in industries which are highly competitive. Competition may intensify as the Group's competitors expand their product or service, lower their prices, or increase their qualities. There may be new competitors entering the Group's existing markets as well. If the Group does not compete successfully against existing and new competitors, the Group may not be able to maintain its existing business scale and operation performance.

Policy Risk

Some business segments of the Group must abide by various policies and regulations. For example, the financial leasing in the PRC, the money lending in Hong Kong and the aircraft business management are all subject to intensive compliance requirements. Central and local regulators may require the Group to apply for new licenses, and impose new rules, regulations or requirements. Changes in policies and regulations will affect the development of the Group's business, such as increasing compliance costs and reducing business opportunities.

Credit Risk

All business segments of the Group allow a credit for their customers' payment. All trade and other receivables are accounted by their carrying amounts less expected credit loss. However, such amounts do not represent the Group's maximum exposure to credit risk. On the other hand, the Group also have some long-term equity investments in listed and unlisted companies in Hong Kong. All the Group's financial assets, including trade and other receivables and equity investments, are subject to credit risk. Save for their own performances of each individual customer and each invested company, there are a lot of factors which can affect their credit risks, such as the general economy, government policies and investor confidences.

Other Risks

Some risks are not noticeable from the daily operations of the Group, but they can have a material adverse impact on the Group. For example, the harshening business environment from the U.S.-China trade conflicts, the sharp decrease in Hong Kong economy after the local political movements, and the recent COVID-19 outbreak. These kinds of events may interrupt the Group's operations, increase prices of raw material and outsourced services, and deteriorate other risks and uncertainty that the Group are facing. All such events are outside control of the Group and there is no guarantee that the Group's responsive measures are sufficient to protect the Group's interests. Given the complexity and materiality of these events, the Group is of the view that their impacts may take a longer time to fully emerge.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES DURING THE REPORTING PERIOD

(i) Disposal of ChipMOS Taiwan ADS

As at 1 January 2019, the Group had an investment on 10,284 American depositary shares of ChipMOS, which had a cost of approximately HK$1.3 million and was regarded as a held-for-trading equity instrument. On 7 March 2019, the Group disposed all 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 each. For the year ended 31 December 2019, this investment recorded (i) dividends income of HK$Nil; and (ii) a realized gain of HK$19,000, generated from dealing activities.

(ii) Acquisition of the majority equity interest in Shenzhen Qiping

On 9 November 2018, the Group announced a possible acquisition of the majority equity interest of Shenzhen Qiping, a technology service company principally engaged in providing software and hardware integration services for real time 2D-3D conversion display products.

On 21 November 2018, Yunrui Technology (Shenzhen) Company Limited* (蘊睿科技（深圳）有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into:

(a) the equity transfer agreement with Shenzhen Kuyin Culture Communication Company Limited* (深圳酷音文化傳播有限公司) ("**Vendor A**") and Ms. Li Qiuchen (李秋晨) ("**Vendor B**") (the collectively "**Vendors**") and Shenzhen Qiping, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to acquire the 70% equity interest in Shenzhen Qiping, for an aggregate consideration of RMB2 million in cash; and

(b) the shareholders' agreement with the Vender A, the existing shareholder and Shenzhen Qiping in relation to the operation and management of Shenzhen Qiping.

All conditions to equity transfer agreement were fulfilled and acquisition of Shenzhen Qiping completed in January 2019. Then Shenzhen Qiping become an indirect non wholly-owned subsidiary of the Group.

Save as disclosed above, the Group did not have any material acquisitions or disposals of assets, subsidiaries, associates or joint ventures of the Company for the year ended 31 December 2019.

MATERIAL COMMITMENT DURING THE REPORTING PERIOD

On 21 June 2019, the Company as the tenant entered into a lease agreement with Agricultural Bank of China Limited in respect of the lease of the whole of the 28th floor of Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong for a term of 2 years commencing from 3 June 2019 to 2 June 2021 (both days inclusive) for use as office premises of the Group. The aggregate value of consideration payable under the lease agreement by the Company is approximately HK$21.4 million which is to be satisfied by internal resources of the Group.

Upon implementation of HKFRS 16 effective from 1 January 2019, the Company has recognized the right-of-use asset in its consolidated financial statements.

TRANSACTIONS AFTER THE REPORTING PERIOD

(i) Investment in Red Power

On 14 February 2020, the Company announced that it planned to acquire 202 ordinary shares of Red Power Developments Limited ("**Red Power**"), representing 20.2% of its whole equity interest (the "**Investment in Red Power**").

Group of Red Power is principally engaged in (i) development, sales, lease and maintenance of equipment involving the application of aviation technology; (ii) development, sales and lease of helicopter; (iii) development of aviation technology and provision of technical consultancy services; (iv) provision of air transportation services; and (v) sales and leasing of aviation equipment.

The consideration for the Investment in Red Power is approximately HK$25.9 million which shall be fully settled by the allotment and issuance, credited as fully paid, of 33,658,000 consideration Shares by the Company at the issue price of HK$0.77 per consideration Share at completion. The Group will make an irrevocable election to account the Investment in Red Power as fair value through other comprehensive income. The Group intends to hold this investment as a long-term investment.

As at the date of this annual report, the acquisition underlying the Investment in Red Power has not been completed, and the Company will make further announcement(s) as and when appropriate.

On 31 March 2020, the Company announced that the long stop date to fulfill conditions of the acquisition underlying the Investment in Red Power was extended to 30 April 2020.

On 29 April 2020, the Company further announced that the long stop date to fulfill conditions of the acquisition underlying the Investment in Red Power was extended to 31 May 2020.

(ii) Investment in Ideal Best

On 27 March 2020, the Company announced that it planned to purchase the sale share, representing the entire issued share capital of Ideal Best Limited ("**Ideal Best**"), and its sale loan from Imperial Pacific at the consideration of approximately HK$30.3 million (the "**Investment in Ideal Best**").

Ideal Best is a company incorporated in the British Virgin Islands with limited liability. The principal business of Ideal Best is investment holding. Ideal Best is the sole registered and beneficial owner of Ideal Best (CNMI), LLC, a company incorporated in the Commonwealth of the Northern Mariana Islands with limited liability and is the holder of the leasehold interest in a Saipan property. The Saipan property comprises a land parcel with a site area of approximately 4,536 square metres upon which there is a housing development namely Miller's Estates. The total gross floor area of the Saipan property is approximately 1,953 square metres within six apartment buildings containing a total of 31 apartment units. According to a preliminary valuation prepared by an independent professional valuer, the Saipan property has a value of US$4.5 million (equivalent to approximately HK$34.9 million) as at 29 February 2020.

The acquisition for the Investment in Ideal Best is part of the settlement package between the Company and Imperial Pacific regarding the total amounts owed by Imperial Pacific to the Group. On 27 March 2020, Imperial Pacific is in debt to the Group of approximately HK$31.8 million, being the aggregate sum of a billing amount of approximately HK$23.4 million, the outstanding principal amount of a loan of approximately HK$7.7 million and the accrued interests thereon of approximately HK$0.7 million. The billing amount was generated in the business segment of trading in construction materials and the loan was generated in the business segment of money lending in Hong Kong.

In order to settle all amounts owed by Imperial Pacific to the Group, it was agreed that:

(a) the Company agreed to conditionally waive the interest of the loan of approximately HK$7.7 million since 27 March 2020, conditionally on the completion of the whole settlement package;

(b) Imperial Pacific agreed to repay approximately HK$1.5 million for the billing amount in cash. After the repayment of approximately HK$1.5 million, Imperial Pacific is expected to owe the debt of approximately HK$30.3 million ("**Debt**") to the Group immediately before completion of the whole settlement package.

(c) The Company agreed to purchase the sale share and sale loan of Ideal Best at the consideration of approximately HK$30.3 million. The consideration for the Investment in Ideal Best shall be satisfied by the Company to Imperial Pacific by way of set-off of the whole amount of the Debt on a dollar-for-dollar basis against the consideration payable by the Company to Imperial Pacific.

Upon completion, Ideal Best will become a direct wholly owned subsidiary of the Company and the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group. On the other hand, the Debt will be reduced to nil after the completion.

As at the date of this annual report, the acquisition underlying the Investment in Ideal Best has not been completed, and the Company will make further announcement(s) as and when appropriate.

(iii) Exiting from the Investment in Bright Team

In January 2019, the Group acquired 70% equity interest of Shenzhen Qiping, which is indirectly held by a direct subsidiary of the Company, Bright Team International Group Limited ("**Bright Team**") (the "**Investment in Bright Team**").

On 28 March 2020, after reviewing Shenzhen Qiping's business of hardware and software integration services for real time 2D-3D conversion display products, the Company had conditionally agreed to dispose of its whole interests in Bright Team to a third party independent to the Group at the consideration of HK$2.5 million. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase the Investment in Bright Team at HK$2.6 million within 12 months since 28 March 2020.

The Group's cost in the Investment in Bright Team amounted to approximately HK$2.3 million. As the business of Shenzhen Qiping has a nature of innovation and high-tech, the Group expected of a profit in the long term. However, the Group did not have sufficient resources to support the growth of Shenzhen Qiping, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan of Shenzhen Qiping. Therefore, the Company is of the view that Shenzhen Qiping's full potential may take a longer time to realize than the Company's original expectation. Hence, the Company decided to exit from the Investment in Bright Team. Nevertheless, the Company wishes to keep an option to re-enter into this business sector by having a buy-back right at an acceptable repurchase price.

Given the relatively small size of the Investment in Bright Team and Shenzhen Qiping, the Company is of the view that the disposal would not have a material impact on the operations and financials of the Group as a whole.

As at the date of this annual report, the disposal underlying the Investment in Shenzhen Qiping has not been completed, and the Company will make further announcement(s) as and when appropriate.

TRANSACTIONS WITH CONNECTED PARTIES

For the year ended 31 December 2019, the Group had no connected transaction as defined in the Listing Rules.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 74 employees (2018: 56 employees). Total employee benefits expenses, including the Directors' emoluments, amounted to approximately HK$24.1 million (2018: approximately HK$22.4 million) for the year. 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.

NO OTHER MATERIAL CHANGE

Save as disclosed, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2018.

DIVIDEND

No dividend for the year ended 31 December 2019 (2018: nil) is recommended by the Board.

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND REPORTING

This Environmental, Social and Governance Report (the "**ESG Report**") summarises the initiatives, programmes and performance of the Group as well as demonstrates its commitment to sustainability.

The core businesses of the Group are principally engaged in design and distribution of integrated circuits and semi-conductor parts in the People's Republic of China (the "**PRC**").

The Group believes that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

REPORTING SCOPE

Unless stated otherwise, this Annual Report mainly covers the Group's major operating revenue activities under direct management control, including its design and distribution of integrated circuits and semi-conductor parts in the PRC.

The Group will continue to assess the major environmental, social and governance aspects of different businesses to determine whether it needs to be included in the environmental, social and governance reporting.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 27 of the Listing Rules (the "**ESG Reporting Guide**").

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 48 to 64 of this Annual Report.

REPORTING PERIOD

The ESG Report specifics the environmental, social and governance activities, challenges and measures being taken during the year ended 31 December 2019.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their views relating to its businesses and environmental, social and governance issues. In order to understand and address stakeholders' concerns, the Group communicates with its key stakeholders, including but not limited to employees, investors, customers, suppliers, government bodies and communities through different channels such as conferences, electronic platforms and public events. In formulating operational strategies and environmental, social and governance measures, the Group takes into account the stakeholders' expectations and strives to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community.

Materiality Assessment

The management and employees who are responsible for the key functions of the Group have participated in preparing this Annual Report, assisted the Group in reviewing its operation, identifying key environmental, social and governance issues and assessing the importance of these issues to our businesses and stakeholders. We compiled a questionnaire in reference to the identified material environmental, social and governance issues to collect the information from relevant departments and business units of the Group.

The following table summarises the Group's significant environmental, social and governance issues as set out in this Annual Report:

The ESG Reporting Guide	Material ESG aspects of the Group	Page
A. Environmental		
A1. Emissions	Waste Management	P. 28
	Greenhouse Gas ("**GHG**") Emission	P. 29
A2. Use of Resources	Energy Consumption	P. 31
	Water Consumption and Use of Packaging Materials	P. 31
A3. The Environment and Natural Resources	Environmental Impact Management	P. 32
	Noise Pollution	P. 32
	Landscape and Natural Habitat	P. 33
B. Social		
B1. Employment	Employee Benefits and Equal Opportunities Policies	P. 33
B2. Health and Safety	Occupational Health and Safety	P. 34
B3. Development and Training	Staff Development and Training	P. 34
B4. Labor Standards	Prevention of Child Labor or Forced Labor	P. 35
B5. Supply Chain Management	Environmental and Social Risk Management of Supply Chain	P. 35
B6. Product Responsibility	Quality and Safety of Products and Services	P. 36
	Intellectual Property Management	P. 36
B7. Anti-Corruption	Prevention of Corruption and Fraud	P. 37
B8. Community Investment	Contributions to Society	P. 38

During the year ended 31 December 2019, the Group confirmed that appropriate and effective management policies and internal control systems for environmental, social and governance issues are in place and confirmed the information disclosed in the ESG Report meets the ESG Reporting Guide.

Contact us

Comments and suggestions are welcome from our stakeholders. You may provide comments on ESG Report or towards our performance in respect of sustainable development.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and Key Performance Indicators ("KPI")

The core businesses of the Group, which mainly involves design and distribution of integrated circuits and semi-conductor parts in the PRC, mainly rely on internet technology and related equipment and do not involve any manufacturing processes in the course of business. Therefore, during the year ended 31 December 2019, the Group and its office did not generate significant emissions, water pollutants and hazardous wastes during the operation, except for GHG emissions and non-hazardous waste.

Global warming and climate change have become major environmental issues to the world. The Group aims to minimize energy consumption and carbon emissions and has been exploring ways of adopting operational model which incurs less adverse impact on the environment. From the reporting of environmental perspective, we mainly focused on the environmental impact of the Group's offices in China and relevant measures to be taken during the daily operation and have formulated policies and procedures relating to the environmental management to govern limited greenhouse gas emissions and non-hazardous waste generated from our operation.

Waste Management

The Group adheres to waste management principle and strives to properly manage and dispose wastes produced by our business activities. Our waste management practice has been complied with relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper and toner cartridges. During the year ended 31 December 2019, the consumption volume generated by the Group is shown as below:

Non-hazardous waste category	2019 Quantity	2018 Quantity	Unit
Paper	0.2	0.2	Tonnes
Toner cartridge	8.0	9.0	Pieces

We regularly monitor the consumption volume of paper, toner cartridges and ink cartridges and have implemented a number of reduction measures. The Group's office has also provided suitable facilities and encouraged our staff to sort and recycle the wastes to achieve the objectives in mitigating wastes, reusing and recycling in its operations. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development.

Apart from recycling, the office has implemented various programs and activities to encourage employees to participate in waste reduction management, including:

- Promote green information and electronic communication, such as e-mail and electronic workflows, to implement "paperless system" concept;
- Place "Green Message" reminders on office equipment;
- Utilise used envelopes and double-side printing. Paper for single-side printing would be only adopted when handling official documents and confidential documents when necessary; and
- Recommend the use of recycled paper.

The Group does not produce any hazardous wastes in its business activities.

GHG Emission

The consumption of electricity at the offices and petrol are the largest sources of greenhouse gas emissions of the Group. During the year ended 31 December 2019, the Group's total GHG emissions amounted to approximately 15.6 tonnes (2018: 15.2 tonnes). The detailed summary of the GHG emission is shown as below:

GHG Performance Summary

GHG Scope[1]	**2019 Tonnes**	**2018 Tonnes**
Direct GHG emission (Scope 1) – petrol consumption	7.1	6.8
Indirect GHG emission (Scope 2) – electricity consumption	7.5	7.4
Other indirect GHG emission (Scope 3) – paper and water consumption	1.0	1.0
Total GHG emission	15.6	15.2

1 GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the latest published Baseline Emission Factors for Regional Power Grids in China.

The Group has implemented a number of measures to mitigate energy consumption such as turning off the air conditioning system at night or when leaving office, keeping the office temperature at 25°C in summer and using LED lights or energy-saving light in the office, etc.

At the project level, the Group considers the principle of environmental protection when launching each of its projects. For example, in the course of selecting suppliers, we assess whether the materials used by the suppliers in the activities are hazardous to the environment and whether they can effectively conserve energy and minimize carbon emissions. In addition to the above-mentioned measures, the Group issues environmental-related memorandum to its staff to raise their awareness of environmental preservation. Notices and posters relating to the environmental information have been placed in the offices to promote the best practice of the environmental management.

The Group has complied with relevant environmental laws and regulations, including but not limited to Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Air Pollution and Environmental Protection Law of Solid Waste Pollution of the People's Republic of China. During the year ended 31 December 2019, the Group was not aware of any material noncompliance with laws and regulations relating to the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

On top of complying with the general disclosure requirement of Aspect A1, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions		
KPI A1.1	The types of emissions and respective emissions data.	Disclosed
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Not applicable
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Disclosed
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed

A2. Use of Resources

General Disclosure and KPI

Energy Consumption

Due to the business nature of the Group, the volume of energy consumption, electricity consumption and water consumption are considered as relatively low, in particular water consumption is very minimal. As mentioned in the Aspect A1 section, the Group has formulated policies and procedures relating to the environmental management, including energy management. Electricity consumption and petrol consumption account for a substantial part of the carbon emission for the Group.

During the year ended 31 December 2019, the Group's consumption in petrol and electricity were:

Energy Type	2019 Quantity	2018 Quantity	Unit
Petrol	2,635	2,534	litre
Electricity	9,446	9,261	kWh

On top of the measures of mitigating the energy consumption mentioned in previous section, the Group strives to utilize telephone or video conference to minimize face-to-face meeting in order to reduce petrol consumption in traveling and unnecessary business trips. The Group encourages resources saving in daily office operation and proactively fosters a low-carbon corporate culture, which further increases our employees' awareness in energy conservation.

Water Consumption and Use of Packaging Materials

As the water consumed by the Group is managed by the property management office of the office building where the Group is located, there is no relevant date on water consumption. The water consumed by the Group in its business activities are of insignificant amount. Regardless of limited water consumption, we still promote behavioral changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees for water conservation, which results in further enhancing our employees' awareness in water conservation.

In addition, due to the nature of business, the Group did not have physical products for sale and therefore did not involve any use of packaging materials. Therefore, this disclosure is not applicable to the Group.

On top of complying with the general disclosure requirement of Aspect A2, we have complied with the KPI requirement which is summarised below:

"Comply or explain" Provisions		
KPI A2.1	Direct and/or indirect energy consumption by type and intensity.	Disclosed
KPI A2.2	Water consumption in total and intensity.	Disclosed
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed
KPI A2.4	Description on whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Issue in sourcing water – not applicable due to its business nature; Remaining – disclosed
KPI A2.5	Total packaging material used for finished products.	Not applicable

A3. Environment and Natural Resources

General Disclosure and KPI

Environmental Impact Management

The Group pursues the best practices in the environment protection and focuses on the impact of the Group's businesses to the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

The Group strives to promote environmental protection and make effective use of resources. It carries out continuous monitoring if the business operations incur any potential impact to the environment, and minimises such impact to the environment through promoting green office and operating environment by adopting four basic principles which comprise of reduce, reuse, recycle and replacement. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Noise Pollution

Noise pollution practices are implemented during our design and distribution of integrated circuits and semi-conductor parts, in order to minimise the noise pollution. Programs are produced in the studios with good soundproof facilities.

Landscape and Natural Habitat
The Group strives to minimise any unnecessary interference to the natural landscape and animal habitat in the process of design and distribution of integrated circuits and semi-conductor parts, in order to maintain the natural beauty of the environment.

The Group regularly reviews its environmental protection policies and has adopted the necessary precautionary measures and actions to reduce significant impact on the environment and natural resources, and ensure that the Group complies with relevant laws and regulations.

During the year ended 31 December 2019, the Group has not found any non-compliance with laws and regulations in respect of the environment and natural resources.

On top of complying with the general disclosure requirement of Aspect A3, we have complied with the KPI requirement which is summarized below:

"Comply or explain" Provisions		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed

B. SOCIAL

B1. Employment

General disclosure

Employee Benefits and Equal Opportunities Policies
Employees are regarded as the Group's largest and most valuable assets and the core of competitive advantage. They provide the driving force for continuous innovation to the Group.

During the year ended 31 December 2019, the Group has fully complied with relevant rules and regulations in the PRC, including the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Regulations on Labor Inspection and Security, as well as the statutory requirements in Hong Kong, including the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), the Minimum Wages Ordinance, the Personal Data Privacy Ordinance and other relevant rules and regulations.

The Group is committed to maintaining a diverse workforce that includes age, gender, family status, sexual orientation, disability, ethnicity, religion and equal opportunities.

The Group's staff handbook contains polices in regards to recruitment, promotion, discipline, working hours and leave. The human resources department has been responsible for ensuring all employees have fully understood the contents of the handbook.

The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions.

During the year ended 31 December 2019, the Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B2. Health and Safety

General disclosure

Occupational Health and Safety
The Group has always placed emphasis on occupational safety and has set up an occupational health and safety management system to provide a safe working environment for office employees.

During the year ended 31 December 2019, the Group has complied with relevant rules and regulations in the PRC, including the Law of the People's Republic of China on Work Safety and Occupational Disease Prevention and Control Law of the People's Republic of China, as well as the legislative requirements in Hong Kong, including the Occupational Safety and Health Ordinance.

During the year ended 31 December 2019, the Group was not aware of any non-compliance with the health and safety laws and regulations.

B3. Development and Training

General disclosure

Staff Development and Training
Employees are regarded as the Group's largest and most valuable assets and an essential part of maintaining a competitive advantage. The Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of emerging technologies and new equipment. The Group also encourages the culture of sharing of knowledge and experience.

The Group has made good use of its internal resources to organise various forms of training for its office in China, including management, customer service and financial knowledge with the assistance of the Hong Kong Office of General Services.

B4. Labour Standards

General disclosure

Prevention of Child Labor or Forced Labor

The Group strictly prohibits employing any child labor or forced labor in its operations in Hong Kong and the PRC. The Group has established a well-defined recruitment process which examines the background of candidates and a formal reporting procedure for handling any exception. During the recruitment process, the age of the applicant is verified against the identity documents of the applicant. In addition, the Group conducts regular reviews and inspections to prevent any child labor or forced labor in operation.

In the meantime, the Group also avoids engaging vendors and contractors which are already known to be employing child labor or forced labor in their operations. The Group has complied with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong) under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Convention on the Abolition of Forced Labor with respect to Employment of Workers, the Labor Law of the People's Republic of China on the Employment of Adolescents under the Age of 16 and their Legal Rights and Interests and Provisions on the Prohibition of Child Labor in the People's Republic of China.

During the year ended 31 December 2019, the Group complied with all the laws and regulations relating to the prevention of child labor or forced labor. The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices.

B5. Supply Chain Management

General disclosure

Environmental and Social Risk Management of Supply Chain

The Group has established and implemented the Supplier Management Policy. In order to strengthen the selection of suppliers, the Group welcomes qualified, competent and high-quality suppliers to join. The Group's procurement department has specially formulated this policy in order to standardise the supplier management and improve the operational standard.

The Group's procurement department is also responsible for organising the supplier evaluation work in two ways which include the ongoing project evaluation and the annual assessment. The evaluation results will serve as the basis of supplier management. Suppliers need to react quickly to the assessment result, taking effective measures to improve the services provided within prescribed period. The Group has the rights to terminate the cooperation with service providers who violate the rules or do not meet the targets.

In the selection of new suppliers, the Group has compared at least three different companies, taking account of their operational and compliance records as well as their commitment level on top of cost consideration. Prior to conducting business with suppliers, we carry out annual reviews and evaluations in various aspects including occupational health and safety, employee rights protection, environmental protection and corporate social responsibility. This ensures that our operations comply with national standards or relevant regulations and that we have no child or forced labor issues. The assessment results will be used as a benchmark for the continuation or termination of cooperation in the future.

The Group maintains close liaison with its suppliers to monitor its performance to ensure that it is consistent with its service commitment.

B6. Product Responsibility

General disclosure

Quality and Safety of Products and Services
The Group pays high attention to the quality and safety of its services. The Group has established relevant quality and safety inspection policies for different projects, communicates with our customers and confirms their project expectation and direction prior launching any project, and actively coordinates projects with customers in the process of providing services.

Intellectual Property Management
The Group's day-to-day operations involve the use of the intellectual property owned by customers, suppliers or the Group itself. Therefore, the protection of intellectual property rights is an extremely important task for the Group. When the Group engages with its customers or suppliers, it will include the protection of intellectual property in the contractual terms. The Group's legal department will also review all the contracts in operation and ensure that the contractual terms protect both parties' intellectual property rights. The Group also requires technical professionals to sign strict confidentiality agreements. Confidential information of our customers is only accessible to employees who are responsible for the corresponding project.

During the year ended 31 December 2019, the Group complies with relevant laws governing the confidentiality of data and intellectual property, including but not limited to Hong Kong Intellectual Property Law, Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China.

During the year ended 31 December 2019, the Group was not aware of any non-compliance with relevant laws and regulations related to product responsibility.

B7. Anti-Corruption

General disclosure

Prevention of Corruption and Fraud

Preventive Measures, Enforcement and Monitoring

The Group has implemented the Prevention of Commercial Bribery Management Policy, strengthening its internal control mechanism, anti-corruption and anti-bribery work so as to achieve the business philosophy of "abiding by the law, integrity and quality service". For projects with higher monetary value, the Group makes an open bidding invitation to at least three suppliers. Different level of approval and authorisation is required according to the size of the tender agreement.

Reporting Mechanism

The mechanism includes the establishment of an inspection team and the establishment of a channel for evaluation and reporting. It is strictly forbidden to use the business opportunities or powers to obtain personal interests or benefits. If there is a conflict of interest, it needs to be reported to the management of the Group on a timely basis. The Group also encourages employees and all persons with whom the Group does business, including customers and suppliers, to report the suspected wrongdoing within the Group voluntarily.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance" and the Mainland's "Corruption Ordinance of the People's Republic of China".

The Group has also taken many measures to prevent any money laundering activities in the Group. At the time of account opening in its securities brokerage business, the Group will perform a name search in an anti-money laundering database system maintained and provided by a third-party vendor, in order to screen each new client against current terrorist and sanction designations, and check whether the client is a Politically Exposed Person (PEP). New account applications lodged by terrorists or sanctioned entities would be rejected. Regular name checks of existing clients against the latest terrorist and sanction list issued by US Treasury Department, as recommended by the regulators, are also conducted. The Group performs regular reviews on transactions by high-risk clients, in order to identify suspicious transactions. In the event any suspicious transactions are noted, we will report them to the Joint Financial Intelligence Unit in due course.

During the year ended 31 December 2019, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

B8. Community Investment

General disclosure

Contributions to Society

As a responsible company, the Group actively strives to become a positive force in the community and maintains close communication and interaction with the community to contribute to community development.

The Group enhances the quality of life of community through arts, culture and entertainment using on demand systems and activities. Following the development of culture, the community can gain a deeper understanding of history and culture and cultivate higher appreciation of the present and future cultural activities and to a greater level of enjoyment.

The Group will also actively encourage employees to contribute their time and skills to community volunteer works to benefit local communities by giving them opportunities to learn more about social and environmental issues and enhance the corporate value of the Group.

As a moral and responsible enterprise, the Group will consider from time to time to make donations to charities when the Group records after-tax profits and has sufficient funds.

The Board of Directors of the Company submits their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investments holding. For the year ended 31 December 2019, the Group is principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) trading of construction materials; (iii) financial leasing in the PRC; (iv) money lending in Hong Kong; (v) research and development in real time 2D-3D conversion display products; (vi) air business management; and (vii) investment holding.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 December 2019, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. There was no material breach or non-compliance with the applicable laws and regulations by the Group during the year ended 31 December 2019.

BUSINESS REVIEW

Discussion and analysis of business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis of this Annual Report and the notes to the Consolidated Financial Statements of this Annual Report.

Discussions on the Group's environmental policies, relationships with its key stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report of this Annual Report.

The above discussion forms part of the Report of the Directors.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year ended 31 December 2019 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for
Purchases	
– the largest supplier	30%
– five largest suppliers combined	57%
Sales	
– the largest customer	58%
– five largest customers combined	83%

None of the Directors, or any of their close associates, or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the major customers and suppliers noted above.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the employees of the Group is reviewed regularly by the Board. Remuneration packages are structured to take into account the merit, qualifications and competence of individual employees as well as the general market conditions.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance, which is of non-trading nature, to any of the affiliated companies as at 31 December 2019 as defined under Chapter 13 of the Listing Rules.

FINANCIAL RESULTS

Details of the Group's results for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Comprehensive Income of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2019 are set out in note 14 to the Consolidated Financial Statements of this Annual Report.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 December 2019 are set out in the Consolidated Statement of Changes in Equity, together with relevant notes to the Consolidated Financial Statements of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 December 2019, no reserves are available for distribution to shareholders by the Company as calculated in accordance with the Companies Act 1981 of Bermuda.

SHARE CAPITAL

As at 31 December 2019, the Company had an authorized share capital of HK$100,000,000, divided into 1,000,000,000 shares of HK$0.1 each, and an issued share capital of 336,587,142 shares of HK$0.1 each.

As at 31 December 2019, the Company did not have any preference shares, options, convertible bonds or equity-related instruments.

ISSUE OF NEW SHARES OR DEBENTURES

For the year ended 31 December 2019, there was no new share or debentures of the Company issued.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2019, the Group has not entered into any equity-linked agreement.

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 for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws ("Bye-laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 8 of this Annual Report.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2019.

DIRECTORS

The Directors who held office from 1 January 2019 and up to the date of this Annual Report are as follows:

Executive Directors

Mr. Yang Lin *(Chairman)* *Note 1*
Mr. Leung Pok Man
Ms. Lau Mei Ying
Mr. Xu Yinsheng *Note 2*
Mr. Xu Beinan *Note 3*
Mr. Liu Shixia *Note 4*
Mr. Liew Fui Kiang *Note 5*
Mr. Wei Xiao *Note 6*

Non-executive Director

Mr. Zhou Danqing

Independent Non-executive Directors

Mr. Lee Man To
Ms. Choi Yee Man
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

BOARD COMMITTEES

Audit Committee

Mr. Lee Man To *(Chairman)*
Ms. Choi Yee Man
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

Remuneration Committee

Ms. Choi Yee Man *(Chairman)*
Mr. Lee Man To
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

Nomination Committee

Ms. Choi Yee Man *(Chairman)*
Mr. Lee Man To
Dr. Zhang Shengdong *Note 7*
Ms. Zhuge Chang *Note 8*

Notes:

1. *Appointed on 15 January 2019*
2. *Appointed on 25 April 2019*
3. *Appointed on 14 April 2020*
4. *Appointed on 3 July 2019 and resigned on 14 April 2020*
5. *Resigned on 15 January 2019*
6. *Resigned on 3 July 2019*
7. *Appointed on 4 March 2019*
8. *Resigned on 4 March 2019*

Mr. Leung Pok Man, Mr. Xu Beinan, Mr. Lee Man To and Ms. Choi Yee Man shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 January 2019 to the date of this Annual Report is set out below:

(i) Mr. Liew Fui Kiang has resigned as executive Director and the chairman of the Company with effect 15 January 2019;

(ii) Mr. Yang Lin has been appointed as executive Director and the chairman of the Company with effect on 15 January 2019;

(iii) Ms. Zhuge Chang has resigned as independent non-executive Director of the Company with effect on 4 March 2019;

(iv) Dr. Zhang Shengdong has been appointed as independent non-executive Director of the Company with effect on 4 March 2019;

(v) Mr. Xu Yinsheng has been appointed as executive Director of the Company with effect on 25 April 2019;

(vi) Mr. Wei Xiao has resigned as executive Director of the Company with effect on 3 July 2019;

(vii) Mr. Liu Shixia has been appointed as executive Director of the Company with effect on 3 July 2019;

(viii) Mr. Liu Shixia has resigned as executive Director of the Company with effect on 14 April 2020;

(ix) Mr. Xu Beinan has been appointed as executive Director and chief executive officer of the Company with effect on 14 April 2020.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained Directors and officers liability insurance which provides appropriate cover for, among others, the Directors of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 was the Company or any of its associated corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of the Director or an entity connected with any of them is or was materially interested, either directly or indirectly, in any transactions, arrangements and contract of significance subsisting during or at the year ended 31 December 2019.

COMPETING BUSINESS

For the year ended 31 December 2019, none of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REASONS RELATED TO THE COMPANY'S AFFAIRS GIVEN BY A DIRECTOR FOR RESIGNATION OR NOT SEEKING RE-APPOINTMENT

For the year ended 31 December 2019, all directors who resigned or did not seek re-appointment confirmed that there was no reason related to the Company's affairs.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Latest biographical details of the Directors and senior management of the Company are set out in Director and Senior Management Biographies of this Annual Report.

DISCLOSURE OF CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed above and in the section headed "Directors and Senior Management Biographies", there was no change in information of the Directors and chief executives of the Company up to the date of this Annual Report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2019.

DIRECTORS' SERVICE CONTRACTS

For the year ended 31 December 2019, none of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The emoluments of Directors and senior management are recommended by the remuneration committee and determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs and the Company's performance.

Details of the emoluments of the Directors and senior management of the Company are set out in note 9 to the Consolidated Financial Statements of this Annual Report.

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 31 December 2019, 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 or any of its associated corporations (within the meaning of Part XV of the 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.

Save for those disclosed above, as at 31 December 2019, 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.

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 during the year ended 31 December 2019.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received, from each independent non-executive Director, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

As at 31 December 2019, the interest 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 executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV 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 shares as at 31 December 2019 (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 31 December 2019.

(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 are 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.

CORPORATE GOVERNANCE PRACTICES

The Board confirms that the Company has adopted and complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2019 except for the deviation from Code Provisions A.4.1 and A.6.7. Details of such deviations are disclosed in the Corporate Governance Report of this Annual Report.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

No contract of significance had been entered between the Company or any of its subsidiaries, and the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries. No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders of the Company (as defined in the Listing Rules) or any of its subsidiaries.

Details of the related party transactions undertaken in the usual course of business are set out in note 32 to the Consolidated Financial Statements of this Annual Report. None of these related party transactions constitutes "connected transactions" or "continuing connected transactions" as defined under Chapter 14A of the Listing Rules and therefore there is no disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audit committee of the Company comprises solely independent non-executive Directors, namely Mr. Lee Man To (Chairman), Ms. Choi Yee Man and Dr. Zhang Shengdong. The Group's annual results for the year ended 31 December 2019 have been reviewed by the audit committee of the Company.

CHANGE OF AUDITOR IN ANY OF THE PRECEDING THREE YEARS

On 21 November 2017, PricewaterhouseCoopers Certified Public Accountants ("PwC") resigned as auditor of the Company with effect from the same day, as the Company could not reach a consensus with PwC on the audit fee for the year ending 31 December 2017. Zenith CPA Limited has been appointed as the auditor of the Company with effect from 21 November 2017 to fill the casual vacancy following the resignation of PwC as the auditor of the Company.

AUDITOR

Zenith CPA Limited was appointed as the auditors of the Company for the year ended 31 December 2019.

The audited financial statement of the Group for the year ended 31 December 2019 have been audited by Zenith CPA Limited, who retires and a resolution for its reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
PacRay International Holdings Limited

Lau Mei Ying
Executive Director

Hong Kong, 12 May 2020

PacRay International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") recognizes the value and importance to achieving high corporate governance standards to enhance corporate performance and accountability.

The Board of Directors of the Company is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2019, the Company has complied with the principles as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules and complied with the code provisions contained therein except for the following deviation:

(i) Code provision A.2.1 of the CG Code requires that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. On 3 July 2019, Mr. Wei Xiao resigned an executive Director but maintained the role of the chief executive officer of the Company. On 8 November 2019, Mr. Wei Xiao resigned as the chief executive officer of the Company. On 14 April 2020, Mr. Xu Beinan has been appointed as the executive Director and chief executive officer of the Company. From 8 November 2019 to 14 April 2020, the Company has not appointed a chief executive officer, and the roles and functions of the chief executive officer have been performed by all the executive Directors collectively.

(ii) 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.

(iii) 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. One independent non-executive Director and two executive Directors were unable to attend the annual general meeting of the Company held on 14 June 2019 due to their business commitment and other engagements. Nevertheless, other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee and the members of the Nomination Committee) attended this meeting to ensure effective communication with the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting the required standard set out in the model code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "**Model Code**"). The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code for the year ended 31 December 2019, all Directors confirmed their respective full compliance with the required standard as set out in the Model Code during the year ended 31 December 2019.

THE BOARD

As at 31 December 2019 and the date of this Annual Report, the Board comprises 9 Directors, of which 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. The number of independent non-executive Directors has met the minimum requirement of the Listing Rules and represented more than one-third of the total Board members. Further, one of the independent non-executive Directors possesses appropriate professional accounting qualifications and/or financial management expertise.

As of the date of this Annual Report, the members of the Board are as follows:

Executive Directors

Mr. Yang Lin *(Chairman)*
Mr. Xu Beinan *(Chief Executive Officer)*
Mr. Leung Pok Man
Ms. Lau Mei Ying
Mr. Xu Yinsheng

Non Executive Director

Mr. Zhou Danqing

Independent Non-executive Directors

Mr. Lee Man To
Ms. Choi Yee Man
Dr. Zhang Shengdong

The biographical details of the Directors are contained in the section headed Directors and Senior Management Biographies of this Annual Report.

There is no fixed term or proposed length of service for each of the Directors (including the non-executive Director and independent non-executive Directors) except that the appointment is subject to the requirements under the Listing Rules, the Bye-laws and any other applicable laws and regulations, and the appointment can be terminated by either party by giving the other party one months' written notice in advance.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

When the Board considers any material proposal or transaction in which a Director has a conflict of interest, the Director who has interests declares his/her interest and is required to abstain from voting and is not counted in the quorum.

Other than the regulatory and statutory responsibilities of the Board, the key functions of the Board are to formulate strategy and to monitor and control operating and financial performance in pursuit of the Group's strategic objective. The Board, led by the Chairman, retains full responsibility for setting objective and business development plans. All Directors (including executive and non-executive) have been consulted on major and material matters of the Company and have made active contribution to the affairs of the Board. The Board is committed to make decisions in the best interest of the Group. The main responsibilities of the management of the Company is to manage, operate and co-ordinate the business of the Company, execute the strategies formulated by the Board and make decisions in respect of daily matters.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between Board members and in particular, between the Chairman and the Chief Executive Officer.

During the year ended 31 December 2019, 4 regular Board meetings and a total of 13 Board meetings were convened by the Company. The attendance of the Directors at the Board meetings and general meetings of the Company for the year ended 31 December 2019 is summarized below.

	Number of Board meetings attended/held	Number of General meetings attended/held
Executive Directors		
Mr. Yang Lin (appointed on 15 January 2019)	5/12	1/1
Mr. Leung Pok Man	13/13	0/1
Ms. Lau Mei Ying	12/12	0/1
Mr. Xu Yinsheng (appointed on 25 April 2019)	4/8	1/1
Mr. Xu Beinan (appointed on 14 April 2020)	N/A	N/A
Mr. Liu Shixia (appointed on 3 July 2019 and resigned on 14 April 2020)	0/5	0/0
Mr. Liew Fui Kiang (resigned on 15 January 2019)	0/1	0/0
Mr. Wei Xiao (resigned on 3 July 2019)	5/8	1/1
Non-executive Directors		
Mr. Zhou Danqing	10/13	1/1
Independent Non-executive Directors		
Mr. Lee Man To	12/13	1/1
Ms. Choi Yee Man	11/13	1/1
Dr. Zhang Shengdong (appointed on 4 March 2019)	9/10	0/1
Ms. Zhuge Chang (resigned on 4 March 2019)	3/3	0/0

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without presence of executive Directors during the year ended 31 December 2019.

Notice of at least 14 days of a regular Board meeting is to given all Directors who are given an opportunity to attend. For all other Board meetings, reasonable notice has been given.

Save for urgent matters which require the Board's immediate attention and therefore leaded to a short notice of a meeting, the agenda accompanying Board papers are sent to all Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents. All businesses transacted at the Board meetings were well-documented. Draft and final versions of Board minutes are circulated to all Directors for their comments and records respectively.

Between Board meetings, the management provides to Directors from time to time updates and other information on the Group's business, operations and financial matters.

Directors are entitled to have access to Board papers and related materials and access to the advice and services of company secretary of the Company. Directors have the liberty to seek independent professional advice, if so required, at the Company's expenses as arranged by company secretary of the Company and they are at liberty to propose appropriate matters for inclusion in Board agendas.

For ensuring that Board procedures are followed and activities of the Board are efficient and effective, company secretary of the Company assists the Chairman to prepare agendas for regular board meetings and ensure the Board papers are disseminated to the Directors and Board Committees in a timely and comprehensive manner.

For the Group's compliance with the continuing obligations of the Listing Rules, The Codes on Takeovers and Mergers and Share Buy-backs, the SFO and the Companies Ordinance etc., including publication and dissemination of reports and financial statements and interim reports within the periods laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made of Director's dealings in securities of the Group, the Board engages the professional parties' input from time to time.

Directors are aware of their obligations for disclosure of interests in securities, connected transactions and inside information and ensure that the standards and disclosures required by the Listing Rules and the SFO are observed.

The Company has maintained liability insurance for Directors and senior management officers with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

DIRECTORS' TRAINING

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide each newly appointed director a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the Company's constitutional documents and guides on directors' duties to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other applicable regulatory requirements.

From time to time, relevant reading materials are provided to Directors with regard to regulatory and governance developments as well as organizes in-house training programme to refresh their knowledge and skills on the roles, functions and duties of a director of a listed company. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year ended 31 December 2019, the Directors participated in the following trainings to develop and refresh their knowledge and skills:

	Types of training
Executive Directors	
Mr. Yang Lin (appointed on 15 January 2019)	B
Mr. Leung Pok Man	B
Ms. Lau Mei Ying	B
Mr. Xu Yinsheng (appointed on 25 April 2019)	A, B
Mr. Xu Beinan (appointed on 14 April 2020)	N/A
Mr. Liu Shixia (appointed on 3 July 2019 and resigned on 14 April 2020)	A, B
Mr. Liew Fui Kiang (resigned on 15 January 2019)	B
Mr. Wei Xiao (resigned on 3 July 2019)	B
Non-executive Directors	
Mr. Zhou Danqing	A, B
Independent Non-executive Directors	
Mr. Lee Man To	A, B
Ms. Choi Yee Man	A, B
Dr. Zhang Shengdong (appointed on 4 March 2019)	A, B
Ms. Zhuge Chang (resigned on 4 March 2019)	B

A: attending seminars and/or programmes and/or conferences
B: reading materials relating to the economy, general business or regulatory updates etc.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements for the year ended 31 December 2019 which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant count upon the Company's ability to continue as a going concern.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2019, the Chairman are Mr. Liew Fui Kiang (resigned on 15 January 2019) and Mr. Yang Lin (appointed on 15 January 2019), and the Chief Executive Officer is Mr. Wei Xiao (resigned from the role of the Chief Executive Officer on 8 November 2019). On 14 April 2020, Mr. Xu Beinan has been appointed as the Chief Executive Officer. The Chairman bears primary responsibility for the work of the Board, by ensuring its effective function, while the Chief Executive Officer bears executive responsibility for the Company's business and the management of the day-to-day operations of the Company. From 8 November 2019 to 14 April 2020, the roles and functions of the Chief Executive Officer have been performed by all the executive Directors collectively.

BOARD COMMITTEES

The Board has established three Board Committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to assist the Board in discharging its duties and to oversee particular aspects of the Group's affairs. All the Board Committees have clear written terms of reference and have to report on their decisions and recommendation to the Board. These written terms of reference are available for access at the principal place of business of the Company in Hong Kong and each of the committee members was furnished with a copy of the respective terms of reference.

The written terms of reference of the Board Committees are also available on the websites of the Company (http://pacray.com.hk) and the Stock Exchange.

All business dealt with by the Board Committees were well-documented. Draft and final versions of the Board Committees minutes are sent to all the respective Board Committees members for comments and records within reasonable time.

1. Audit Committee

The Audit Committee comprises solely independent non-executive Directors. As at 31 December 2019, the Audit Committee consists of three independent non-executive Directors, namely, Mr. Lee Man To (Chairman), Ms. Choi Yee Man and Dr. Zhang Shengdong.

The Audit Committee is responsible for the following:

– reviewing and supervising the Company's financial reporting process, risk management and internal control systems;

– reviewing the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements;

- making recommendations as to the effectiveness of internal control and risk management;
- monitoring the compliance with statutory and listing requirements and to oversee the relationship with the external auditor; and
- reviewing arrangements to enable employees of the Company to raise concerns about improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee meets the external auditor and the senior management twice a year to discuss any areas of concern during the audits.

During the year ended 31 December 2019, the Audit Committee has reviewed (i) the annual report of the Group for the year ended 31 December 2018, (ii) the interim report of the Group for the 6 months ended 30 June 2019, (iii) the external auditor's engagement letter with recommendation to the Board for approval, (iv) the determination and reporting of key audit matters, and (v) the effectiveness of the risk management and internal control systems and internal audit function.

During the year ended 31 December 2019, 3 meetings were held with the management and/or the external auditor. Members of the Audit Committee and their respective attendance at committee meetings were held during their term of office are listed below:

	Number of Audit Committee Meetings attended/held
Committee members	
Mr. Lee Man To	3/3
Ms. Choi Yee Man	3/3
Dr. Zhang Shengdong (appointed on 4 March 2019)	2/2
Ms. Zhuge Chang (resigned on 4 March 2019)	1/1

2. Remuneration Committee

The Remuneration Committee comprises solely independent non-executive Directors. As at 31 December 2019, the Remuneration Committee consists of three independent non-executive Directors, namely, Ms. Choi Yee Man (Chairman), Mr. Lee Man To and Dr. Zhang Shengdong.

Its primary responsibilities include recommending, reviewing and determining the remuneration policy and packages of directors and senior management. Directors do not participate in the determination of their own remuneration.

During the year ended 31 December 2019, the Remuneration Committee has reviewed and recommended to the Board the Directors' remuneration. In making recommendations to the Board on the Directors' remuneration, the Remuneration Committee considered a number of factors including time commitment, responsibilities, qualification and the prevailing market rate. The remuneration of the Directors will be determined by the Board after obtaining authorization at its general meetings.

During the year ended 31 December 2019, the Remuneration Committee held 6 meetings. Members of the Remuneration Committee and their respective attendance at the committee meeting during their term of office are listed below:

	Number of Remuneration Committee Meetings attended/held
Committee members	
Mr. Lee Man To	6/6
Ms. Choi Yee Man	4/6
Dr. Zhang Shengdong (appointed on 4 March 2019)	5/5
Ms. Zhuge Chang (resigned on 4 March 2019)	1/1

3. Nomination Committee

The Nomination Committee comprises solely independent non-executive Directors. As at 31 December 2019, the Nomination Committee consists of three independent non-executive Directors, namely, Ms. Choi Yee Man (Chairman), Mr. Lee Man To and Dr. Zhang Shengdong.

Its primary responsibilities are to assist the Board to review the structure of the Board and make recommendations to the Board on the appointment or re-appointment of directors to the Board. It also reviews the Company's adopted board diversity policy, as appropriate, to ensure its continued effectiveness and make recommendations to the Board for consideration and approval.

Board Diversity Policy

Pursuant to the CG Code, the Board adopted a board diversity policy (the "**Board Diversity Policy**") in November 2013. Such policy aims to set out the approach to achieve diversity for the Board.

The Company recognizes the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the businesses of the Company.

All Board appointments shall be based on merits and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates for Board members shall be based on a range of diversity perspectives including, but not limited to, gender, age, race, experience, cultural and educational background, skills and other qualities considered relevant and applicable. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

The Nomination Committee monitors the implementation of the Board Diversity Policy and reviews, as appropriate, from time to time. The Nomination Committee also ensure the continued effectiveness of the policy. The Nomination Committee shall discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

As at 31 December 2019,

– five Directors were within the age range of 30-39, two Directors were within the age range of 40-49, and two Directors were within the age range of 50-59;

– seven Directors were male and two Directors were female;

– two Directors possessed appropriate professional qualifications in finance and accounting and meets the requirements of the Listing Rules;

– three Directors, being one third of the Board, were independent in accordance with the Listing Rules;

– four Directors served the Board for less than one year, two Directors served the Board for over one year but less than two years, and three Directors served the Board for over two years but less than three years;

– all Directors contributed to the business of the Company with their own knowledge and experience.

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") in compliance with CG Code. The Nomination Committee and/or the Board shall consider the following criteria in evaluating and selecting candidates for directorships:

– Character and integrity

– Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy

– Willingness to devote adequate time to discharges duties as a Board member and other directorships and significant commitments

– Requirement for the Board to have independent directors in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the "**Listing Rules**") and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules

– Such other perspectives appropriate to the Company's business

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

During the year ended 31 December 2019, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors.

During the year ended 31 December 2019, the Nomination Committee held 5 meetings with the management. Members of the Nomination Committee and their respective attendance at the committee meeting during their term of office are listed below:

	Number of Nomination Committee Meetings attended/held
Committee members	
Mr. Lee Man To	5/5
Ms. Choi Yee Man	3/5
Dr. Zhang Shengdong (appointed on 4 March 2019)	3/3
Ms. Zhuge Chang (resigned on 4 March 2019)	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company. During the year ended 31 December 2019, the Board has discharged the following corporate governance duties:

– To develop and review the Company's policies and practices on corporate governance and make recommendations on changes and updating;

– To review and monitor the training and continuous professional development of directors and senior management;

– To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

– To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

– To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

– To implement such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board are responsible.

AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibility on the Company's consolidated financial statements for the year ended 31 December 2019 is set out in the section headed Independent Auditor's Report of this Annual Report.

For the year ended 31 December 2019, auditor's remuneration for audit services and non-audit services were approximately HK$980,000 and nil respectively.

COMPANY SECRETARY

Ms. Wong Po Ling, Pauline was engaged and appointed by the Company as its company secretary from 1 January 2019 to 13 September 2019.

Mr. Zhou Danqing has been engaged and appointed by the Company as its company secretary since 13 September 2019. Mr. Zhou has complied with Rule 3.29 of the Listing Rules of taking no less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems and internal controls are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has established risk management manual to formulate the risk management process. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. With reference to enterprise risk management – integrated framework issued by the Committee of Sponsoring Organisations of the Treadway Commission and the Company's enterprise risk management processes is summarised as follows:

1. Project initiation
2. Risk identification
3. Risk analysis
4. Risk treatment
5. Risk monitoring
6. Risk reporting

The risk management and internal control systems are reviewed at least annually to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security to ensure appropriateness and effectiveness.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

The Heads of each core business segment monitor compliance with policies and procedures and the effectiveness of internal control systems in respect of their responsible business segments. The Company also engaged an independent external consulting firm to review and assess the effectiveness of the risk management and internal control systems of the Group during the year ended 31 December 2019. The assessment covers all material controls including financial, operational and compliance controls, as well as risk management functions during the year ended 31 December 2019. The Audit Committee has reviewed the assessment report with the management, and noted that no significant areas of improvement are brought to its attention. The Company also conducted a review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function for the year ended 31 December 2019. Accordingly, the Board was satisfied that the prevailing risk management and internal control systems of the Group are effective and adequate.

The Audit Committee reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The Audit Committee is of the view that the Internal Auditor has adequate qualification and resources to perform its functions and have discharged its duties to the best of their abilities and is independent of the activities that it performs audit.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the effectiveness of risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. Based on the above, the Board is of the view that the Company has established proper risk management and internal control systems which are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

COMMUNICATION WITH SHAREHOLDERS

The Board considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Board also recognizes the importance of timely disclosure of information, which will enable shareholders and investors to make the informed investment decisions.

For the year ended 31 December 2019, the Company reviewed and updated its policy for communication with its shareholders and investor relationship.

The various channels via which the Company communicates with its shareholders include interim and annual reports, information on the websites of the Stock Exchange and the Company, annual general meeting and other general meeting that may be convened.

RIGHTS OF SHAREHOLDERS

(i) The right to attend the annual general meeting and to receive information

The annual general meeting of the Company provides opportunity for shareholders to communicate directly with the Directors. The Chairman and the chairman of the Board committees will attend the annual general meeting to answer shareholders' questions. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The external auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor independence.

Copies of the reporting documents, including financial statements, the Directors' report and the auditor's report must be sent to members at least 21 working days before the annual general meeting of the Company.

(ii) The right to convene an extraordinary general meeting

Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

(iii) The voting powers at the shareholders' meetings

Every shareholder has the right to vote at the shareholders meetings subject to provisions on the Memorandum of Association.

(iv) The power to elect and re-elect Directors and auditors

The shareholders could hold individual Directors (or the Board as a whole) to account for their actions by voting against their re-election. The Memorandum of Association provides at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

For the Directors to retire by rotation, and if they wish, they may submit themselves for re-election at the annual general meeting. The retiring Directors are eligible for reappointment to the office. Without the prescribed approval of its shareholders, the Company shall not agree to any provision under which a director's term of employment exceeds or may exceed three years.

The shareholders also have the right to approve (or reject) the appointment of the auditors each year. The Company may by an ordinary resolution passed at a general meeting remove a person from the office of auditor despite any agreement between the person and the Company or anything in the Memorandum of Association.

(v) The right to receive information of the Company

The Company shall keep shareholders informed of certain developments and to obtain shareholder approval for certain transactions in accordance with the Listing Rules. In these cases, the Company must communicate with its shareholders and seek their support.

(vi) The right to communicate with the Company

The Chairman or the executive Director should ensure that the views of the shareholders are communicated to the Board as a whole and the Chairman or the executive Director should discuss strategy and governance with the major shareholders.

Non-executive Directors should be given the opportunity to attend general meetings with major shareholders, and should be expected to attend general meetings if requested by major shareholders.

CONSTRUCTIVE USE OF GENERAL MEETINGS

(i) Effectiveness of general meetings

Shareholders should be given the opportunity to send in written questions before the meeting. There should be a circulation of a brief summary of points raised at the annual general meeting to all shareholders after the event. The Board should dispatch a circular accompanying the annual general meeting notice, which contains comprehensive information on the business to be transacted at the meeting, together with summary procedure governing voting at the annual general meeting and frequently asked questions regarding voting procedures.

The Company should arrange for the notice of the annual general meeting and the related papers to be sent to the shareholders at least 21 working days before the meeting. For other general meetings this should be at least 14 working days in advance.

(ii) Giving shareholders an opportunity to ask questions

The Chairman should attend the annual general meeting. He/she should also invite the chairmen of the audit, nomination and remuneration committees and any other committees (as appropriate) to be available to answer questions at the annual general meeting. In addition, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

(iii) Voting procedure

At any general meeting, the Company proposes a separate resolution on each substantially separate issue and in particular proposes a resolution at the annual general meeting relating to the report and accounts. For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.

At any general meeting there should also be a separate resolution to each substantially separate issue. The Company should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company should explain the reasons and material implications in the notice of meeting.

In the context of voting by proxy and poll results, the Company should ensure that all valid proxy appointments received are properly recorded and counted. For each resolution, after a vote has been taken, except where taken on a poll, the Company should ensure that the following information is given at the meeting and made available as soon as reasonably practicable on a website which is maintained by or on behalf of the company.

The Company should announce the poll results as soon as possible and at least 30 minutes before the commencement of the Exchange’s morning session or any pre-opening session on the business day following the general meeting. The poll results announcement must include: the number of shares entitling the holder to attend and vote at the general meeting; shares entitling the holder to attend and abstain from voting in favour; shares of holders that are required under the Listing Rules to abstain from voting; shares actually voted for a resolution and shares actually voted against a resolution.

SHAREHOLDERS’ ENQUIRES

Shareholders should direct their questions about their shareholdings to the company’s registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Shareholders and the investment community may at any time make a request for the company’s publicly available information. The designated contacts and addresses to enable them to make query in respect of the company are:

Contact:	the Board of Directors
Fax:	2851 3055
Address:	28th floor of Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

CORPORATE WEBSITE

The Company's website is https://pacray.etnet.com.hk.

Information submitted by the Company to the Stock Exchange is also posted as soon as practicable on the Company's website. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc. All presentation materials provided in relation to the Company's annual general meeting and results announcement each year should be made available on the Company's website as soon as practicable after their release.

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") in compliance with the CG Code, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company may declare and pay dividends to the shareholders of the Company by way of cash or by other means that the Board of the Company considers appropriate. It is the policy of the Board, in recommending dividends, to allow the Shareholders to participate in the Company's profits, and at the same time, to ensure the Company to retain adequate reserves for future growth.

Factors to be considered

The Company's decision to declare or to pay any dividends in the future, and the amount of such dividends will depend upon, among other things, the current and future operations, financial condition, liquidity position and capital requirements of the Group, as well as dividends received from the Company's subsidiaries and associates, which in turn will depend on the ability of those subsidiaries and associates to pay a dividend. In addition, any final dividends for a financial year will be subject to the approval of the Shareholders.

General Principle

The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of Bermuda, the laws of Hong Kong, the Company's articles of association, Bye-laws and any applicable laws, rules and regulations.

Review of the Dividend Policy

Whilst this Dividend Policy reflects the Board's current views on the financial and cash-flow position of the Group, the Board will continue to review this Dividend Policy from time to time and the Board may exercise its sole and absolute discretion to update, amend and/or modify this Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be declared or paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2019. An up-to-date version of the Company's memorandum of association and Bye-laws are available on the websites of the Company and the Stock Exchange.

To the shareholders of PacRay International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of PacRay International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 160, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of PacRay International Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for inventories	
At 31 December 2019, the Group held inventories of HK$12,432,000, net of impairment provision of HK$2,874,000. Inventories are carried at the lower of cost and net realisable value ("NRV"). The cost of inventories is written down to NRV when there is an objective evidence that the cost of inventories may not be recoverable if those inventories are damaged, if they have become obsolete, or if their selling prices have declined. Management evaluates the NRV at each period end based on the estimated selling price less cost to sell, which requires significant judgements and assumptions to be made to determine the estimated selling price of individual products, including historical experience of selling products of similar nature and expectation of future sales based on current market conditions and available information. The estimations are also subject to uncertainty as a result of future changes of market trends, customer demands and technology development. The Group's relevant accounting policies and disclosures are set out in notes 3, 4 and 20 to the financial statements.	In assessing the provision of inventories, we have (i) involved inventories counts to identify whether there is any damaged or obsolete inventories; (ii) test checked on inventory ageing on a sample basis, on individual inventories items to ascertain the accuracy of classification of inventories by ages; (iii) compared estimated selling price and sales quantity with the actual selling price and sales quantity subsequent to the year end or the latest sales data of each individual inventory, on a sample basis, to assess the reasonableness of the NRV used by management in the carrying value assessment; and (iv) evaluated management's estimation to understand any additional factors that were considered on the relevant inventories items which have long stock turnover period or no subsequent sales after year end. We independently evaluated the relevance of these factors and obtained evidence, such as sales plan, to assess the reasonableness of the NRV estimated.

To the shareholders of PacRay International Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

Key Audit Matter

The carrying value of the Group's trade and bills receivables as at 31 December 2019 amounted to HK$54,299,000, representing 33% of the Group's total assets as at 31 December 2019. The reversal of loss allowance credited to the statement of profit or loss for the year was HK$2,292,000, and the cumulative loss allowance for the trade and bills receivables carried as at 31 December 2019 was HK$173,000. The loss allowance for the impairment of trade and bills receivables is maintained to reduce the Group's trade and bills receivables to their estimated recoverable amounts. Management evaluates the estimated loss allowance based on historical repayment behavior of debtors, ageing profile, specific information on individual customers as well as experience with collection trends, and current economic and business conditions. The management's continued refinement of the impairment of trade and bills receivables based on known customer information can provide a significant change in estimate between periods.

We focused the impairment assessment of the trade and bills receivables as a key audit matter because of (i) the material amounts involved, and (ii) the significant judgement and assumptions involved in the determination of loss allowance under the expected credit losses model.

The Group's accounting policies and disclosures on trade and bills receivables and loss allowance for expected credit losses are set out in noted 3, 4 and 21 to the financial statements.

How our audit addressed the Key Audit Matter

In assessing the adequacy of loss allowance for the impairment on the trade and bills receivables, we test checked the accuracy of the ageing profile, reviewed the historical repayment records, considered the availability on specific customer's information as well as forward-looking information with the assistance of external specialist. We have also re-calculated the loss allowance for expected credit losses of trade and bills receivables using management's model and assessed the adequacy of the loss allowance and disclosures in the consolidated financial statements.

To the shareholders of PacRay International Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of loans receivables	
As at 31 December 2019, the carrying value of the Group's loans receivables amounted to HK$18,667,000, the reversal of loss allowance credited to the consolidated statement of profit or loss for the year was HK$3,462,000, and the cumulative loss allowance of loans receivables carried as at 31 December 2019 was HK$38,000. The loss allowance for impairment of loans receivables to their estimated recoverable amounts. Significant management judgement and estimates are required in determining the impairment losses of loans receivables under the expected credit losses model in accordance with HKFRS 9. Management applied the general approach in calculating expected credited losses for the loans receivables and engaged an external valuer to assess the credit risk of each borrower and prepare the expected credit loss calculations. The external valuer applied various elements, which involved specific information on individual debtors, forward-looking information and historical payment records in assessing the expected credit losses. Due to the significance of loans receivables (representing approximately 11% of total assets) and the corresponding uncertainty inherent in such an estimate, we considered this as a key audit matter. The Group's relevant accounting policies and disclosures are set out in notes 3, 4 and 23 to the consolidated financial statements.	In assessing adequacy of the loss allowance for the impairment of the loans receivables, our audit procedures included testing controls on a sample basis over the approval, recording and monitoring of loans receivables, understanding and evaluating the Group's assessment on the expected credit loss allowance, assessing the appropriateness of evaluating the judgements and assumptions used for the impairment and testing the loans receivables ageing analysis. We also challenged the information used for management's assessment of the expected credit loss allowance by comparing to supportable evidence about the historical payment records and subsequent cash collection performance based on available information provided by the management. We assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

To the shareholders of PacRay International Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

To the shareholders of PacRay International Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

To the shareholders of PacRay International Holdings Limited *(Continued)*
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Po Yuen.

Zenith CPA Limited
Certified Public Accountants
Cheng Po Yuen
Practising Certificate Number: P04887
Hong Kong, 12 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	6	**74,339**	60,709
Cost of sales		**(54,538)**	(49,458)
Gross profit		**19,801**	11,251
Other income and gains/(losses), net	7	**4,981**	(3,829)
Distribution costs		**(190)**	(652)
General and administrative expenses		**(46,288)**	(46,937)
Interest on lease liabilities		**(657)**	–
LOSS BEFORE TAX	8	**(22,353)**	(40,167)
Income tax expense	11	**(361)**	(20)
LOSS FOR THE YEAR		**(22,714)**	(40,187)
Attributable to:			
Owners of the parent		**(21,065)**	(40,187)
Non-controlling interests	31	**(1,649)**	–
		(22,714)	(40,187)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	13	**(6.26)**	(11.94)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
LOSS FOR THE YEAR		**(22,714)**	(40,187)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(853)**	(2,764)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designed at fair value through other comprehensive income:			
Changes in fair value		**(96)**	196
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(949)**	(2,568)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(23,663)**	(42,755)
Attributable to:			
Owners of the parent		**(22,014)**	(42,755)
Non-controlling interests	31	**(1,649)**	–
		(23,663)	(42,755)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**4,038**	4,428
Intangible assets	15	**2,087**	–
Deferred tax assets	16	**607**	619
Equity investments designated at fair value through other comprehensive income	17	**23,100**	23,196
Finance lease receivables	18	**–**	5,775
Right-of-use assets	19(a)	**16,557**	–
Long-term deposits	22	**3,335**	280
Total non-current assets		**49,724**	34,298
CURRENT ASSETS			
Inventories	20	**12,432**	7,142
Finance lease receivables	18	**5,668**	–
Trade and bills receivables	21	**54,299**	24,733
Prepayments, other receivables and other assets	22	**13,836**	9,848
Loans receivables	23	**18,667**	19,032
Financial assets at fair value through profit or loss	24	**1,545**	2,154
Tax recoverable		**156**	159
Cash and cash equivalents	25	**8,516**	25,601
Total current assets		**115,119**	88,669
CURRENT LIABILITIES			
Lease liabilities	19(b)	**12,466**	–
Trade payables	26	**27,938**	361
Other payables and accruals	27	**22,230**	4,251
Tax payable		**661**	7
Total current liabilities		**63,295**	4,619
NET CURRENT ASSETS		**51,824**	84,050
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,548**	118,348

	Notes	**2019 HK$'000**	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	19(b)	**5,637**	–
NET ASSETS		**95,911**	118,348
EQUITY			
Equity attributable to owners of parent			
Share capital	28	**134,922**	134,922
Other reserves	29	**(2,589)**	(1,796)
Accumulated losses		**(35,841)**	(14,778)
		96,492	118,348
Non-controlling interests		**(581)**	–
Total equity		**95,911**	118,348

LAU Mei Ying
Director

LEUNG Pok Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the parent					
	Share capital HK$'000 (note 28)	Other reserves HK$'000 (note 29)	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	134,922	772	25,409	161,103	–	161,103
Loss for the year	–	–	(40,187)	(40,187)	–	(40,187)
Other comprehensive income/(loss) for the year:						
Changes in fair value of equity investments designed at fair value through other comprehensive income	–	196	–	196	–	196
Exchange differences on translation	–	(2,764)	–	(2,764)	–	(2,764)
Total comprehensive loss for the year	–	(2,568)	(40,187)	(42,755)	–	(42,755)
At 31 December 2018 and 1 January 2019	**134,922**	**(1,796)**	**(14,778)**	**118,348**	**–**	**118,348**
Loss for the year	**–**	**–**	**(21,063)**	**(21,063)**	**(1,651)**	**(22,714)**
Other comprehensive loss for the year:						
Changes in fair value of equity investments designed at fair value through other comprehensive income	**–**	**(96)**	**–**	**(96)**	**–**	**(96)**
Exchange differences on translation	**–**	**(853)**	**–**	**(853)**	**–**	**(853)**
Total comprehensive loss for the year	**–**	**(949)**	**–**	**(949)**	**–**	**(949)**
Acquisition of non-controlling interest (note 30)	**–**	**–**	**–**	**–**	**1,002**	**1,002**
Capital Contribution from non-controlling shareholders	**–**	**156**	**–**	**156**	**68**	**224**
At 31 December 2019	**134,922**	**(2,589)**	**(35,841)**	**96,492**	**(581)**	**95,911**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(22,353)**	(40,167)
Adjustments for:			
Interest income	7	**(1,350)**	(1,976)
Dividend income	7	**–**	(13)
Depreciation of right-of-use assets	19a	**7,887**	–
Depreciation of property, plant and equipment	8	**1,160**	898
Loss on disposal of property, plant and equipment	7	**225**	6
Fair value (gain)/loss on financial assets at fair value through profit or loss	7	**(750)**	947
Impairment of goodwill	7	**–**	5,144
(Reversal of impairment)/impairment of trade receivables	8	**(2,292)**	2,465
Impairment of finance lease receivables	8	**–**	2,644
(Reversal of impairment)/impairment of loans receivables	8	**(3,462)**	3,500
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets	8	**(1,869)**	1,869
(Reversal of)/provision for inventories	8	**(794)**	4,182
Interest on lease liabilities		**657**	–
		(22,941)	(20,501)
Increase in inventories		**(3,231)**	(2,994)
Decrease in finance lease receivables		**–**	3,952
Decrease in loans receivables		**3,700**	–
Decrease in trade and bills receivables		**114**	9,051
Decrease/(increase) in prepayments, other receivables and other assets		**5,239**	(23,121)
Increase in trade payables		**–**	211
Increase in other payables and accruals		**9,443**	1,352
Cash used in operations		**(7,676)**	(32,050)
Interest element on lease liabilities		**(657)**	–
Oversea income tax refunded/(paid), net		**293**	(27)
Net cash flows used in operating activities		**(8,040)**	(32,077)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(843)**	(2,955)
Proceeds from disposal of items of property, plant and equipment		**63**	25
Proceeds from disposals of financial assets at fair value through profit or loss		**1,359**	21,246
Refundable deposit paid		**(3,058)**	–
Interest received		**1,350**	990
Dividend received		**–**	13
Purchases of financial assets at fair value through profit or loss		**–**	(6,400)
Acquisition of subsidiaries	30	**(1,662)**	1,511
Net cash flows (used in)/from investing activities		**(2,791)**	14,430
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(6,341)**	–
Capital contribution from non-controlling shareholders		**224**	–
Net Cash flows used in financing activities		**(6,117)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,948)**	(17,647)
Cash and cash equivalents at beginning of year		**25,601**	43,296
Effect of foreign exchange rate changes, net		**(137)**	(48)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,516**	25,601

1 CORPORATE AND GROUP 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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is 28/F, Agricultural Bank of China Tower, 50 Connaught 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 year, the Company and its subsidiaries (collectively referred hereinafter as the "Group") are involved in the following principal activities: the design and sales of integrated circuits and semi-conductor parts, trading of construction materials, finance lease services in the PRC, money lending in Hong Kong, research and development in real time 2D-3D conversion display products, aircraft business management and investment functions.

In the opinion of the directors, Glory Genius International Holdings Limited, is the holding company and ultimate holding company of the Company, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Able Summit Investment Limited[2]	British Virgin Islands	US$1	100%	–	Investment holding
Brilliant Express Global Investment Limited[2]	British Virgin Islands	US$1	–	100%	Investment holding
Fasty Technology Limited	Hong Kong	HK$1	–	100%	Inactive
PacRay Tourism Development (Hong Kong) Limited (Formerly known as "Harvest Century Enterprises Limited")	Hong Kong	HK$10,000	100%	–	Inactive
International Business Aviation (Hong Kong) Limited (Formerly known as "Rockey Company Limited")	Hong Kong	HK$2	100%	–	Investment holding and trading

1 CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanghai SyncMOS Semiconductor Company Limited[1]	PRC	US$7,000,000	–	100%	Design, distribution and trading of integrated circuit products and provision of related agency services in the PRC
Sunny Fast International Investment Limited	British Virgin Islands	US$1	100%	–	Investment holding
SyncMOS Technologies, Inc. (BVI)	British Virgin Islands	US$1	100%	–	Investment holding
Magic Display Technology Holdings Limited (Formerly known as "Top Return Investments Limited")	Hong Kong	HK$1	100%	–	Investment holding
Total Way Technology Limited	Hong Kong	HK$1	–	100%	Trading
Wellba Investment Limited	Hong Kong	HK$2 ordinary shares and HK$2,000,001 non-voting deferred shares	50%	50%	Inactive
Win Win Property Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding

1 CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wit Sky Limited	British Virgin Islands	US$100	–	100%	Investment holding
AST 3G Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Solomon International Leasing (Tianjin) Co., Ltd[1]	PRC	US$18,000,000	–	100%	Finance lease services
R Capital Investment Holding Limited	British Virgin Islands	US$1	100%	–	Inactive
R Capital Limited	British Virgin Islands	US$1	–	100%	Inactive
Bright Team International Group Limited	British Virgin Islands	US$1	100%	–	Inactive
Sunny Trillion Limited	Hong Kong	HK$1	–	100%	Investment holding
Yunrui Technology (Shenzhen) Company Limited[1]	PRC	RMB10,000,000	–	100%	Inactive
Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司)[2]	PRC	RMB8,200,000	–	70%	Design, distribution and trading of integrated circuit products
Shenzhen Qiping Telecommunication Technology Company Limited* (深圳奇屏通訊科技有限公司)[2]	PRC	RMB7,080,000	–	70%	Design, distribution and trading of integrated circuit products

* For identification purposes only

[1] The entity is registered as wholly-foreign-owned enterprise under PRC law.

[2] These entities are acquired during the year, further details of this acquisition are included in note 30 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except which otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or/accumulated losses profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for property. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding the initial direct costs from the measurement of the right-of-use asset at date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	658
Increase in total assets	658
Liabilities	
Increase in lease liabilities	658
Increase in total liabilities	658

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	1,273
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(577)
	696
Weighted average incremental borrowing rate as at 1 January 2019	4.51%
Discounted operating lease commitments as at 1 January 2019	658
Lease liabilities as at 1 January 2019	658

(b)

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies: *(Continued)*

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	4 – 5 years or shorter of the lease term
Furniture, fixtures and equipment	4 – 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of two to five years. Cost associated with maintaining computer software programmes are recognised as expenses as incurred.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight line basis over the shorter of the lease terms of 2 to 3 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value. (Alternatively) When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

The Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable before 1 January 2019)

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's new investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return of the Group's net investment outstanding in respect of the leases.

Finance lease income is recognised on an accrual basis using effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the next investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the next investment of the finance lease.

The Group as lessee

The total rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired,

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss, Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable Information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below:

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and finance lease receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the general approach in calculating ECLs with policies as described above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include lease liabilities and trade and other payables.

Subsequent measurement

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other indirect costs and related production overheads based on normal operating capacity. Net realisable value is base on estimated selling price in the ordinary course of business, less applicable variable selling and distribution costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of goods

(a) Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods.

(b) Aircraft business management service fees are recognised when such service are rendered.

Revenue from other sources

Finance lease income

Finance lease income is recognised on an accrual basis using effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the next investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the next investment of the finance lease.

Other income

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Bonus plans

Provision for bonus plans is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Retirement benefits schemes

The Group contributes to various employee retirement benefit plans organised by municipal and provincial governments in Mainland China for its PRC based employees. Under these plans, the municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees of the Group. Contributions to these plans are expensed as incurred. The Group has no further payment obligations once the contributions have been paid.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK$1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no further payment obligations once the contributions have been paid.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Group's overseas subsidiaries, are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

The amount written off to the statement of profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

Impairment of loans receivables

The Group establishes, through charges against the statement of profit or loss, impairment allowance in respect of estimated incurred loss in loans receivables.

Impairment of loans receivables is assessed on ECL basis under general approach. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ELC is sensitive to changes in estimates. The information about the ELC and the Group's loans receivables are disclosed in note 23 to the financial statements.

Provision for ECL on trade and bills receivables

The Group applies the simplified approach in calculating ECLs. An impairment analysis is performed at each reporting date using a loss rate approach to measure ECLs. The credit risk categorisation is determined based on a number of factors which include (i) debtors' ageing; (ii) historical repayment behavior of debtors; (iii) debtors' specific information available to the Group which is relevant for credit risk assessment; and (v) current industry conditions and future economic outlook. The credit risk categorisation is adjusted to reflect subsequent information uncovered to an extent that such information provides evidence of conditions existed as at the year end date and forward-looking information. The ECLs are estimated based on the expected cash flows that can be recovered and other estimated repayments based on historical recovery ratios.

The assessment of correlation among historical recovery ratio, estimated repayment and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and conditions. The Group's historical credit loss experience and estimates may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5 SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools and display products;

(ii) provision of finance lease services;

(iii) aircraft business management services; and

(iv) the "Headquarter" segment comprises principally the Group's corporate administration and investment functions performed by headquarter.

5 SEGMENT INFORMATION *(Continued)*

These main operations are the basis on which the management identifies the primary segment information.

The management regularly reviews the basis in order to make decisions about resources to be allocated to the segment and assess its performance.

	Design and sales of integrated circuits HK$'000	Finance lease services HK$'000	Aircraft business management HK$'000	Trading of construction materials HK$'000	Headquarter HK$'000	Total HK$'000
Year ended 31 December 2019						
Revenue from external customers	30,536	856	42,947	–	–	74,339
Operating (loss)/profit	(4,769)	(1,822)	6,048	–	(23,160)	(23,703)
Interest income	14	–	1	–	1,335	1,350
(Loss)/profit before income tax	(4,755)	(1,822)	6,049	–	(21,825)	(22,353)
Other segment information:						
Depreciation of property, plant and equipment	(943)	(23)	–	–	(194)	(1,160)
Depreciation of right-of-use assets	(1,860)	–	(541)	–	(5,486)	(7,887)
Reversal of provision of inventories	794	–	–	–	–	794
(Impairment)/reversal of impairment of loan receivables, net	–	(28)	–	–	3,490	3,462
Reversal of impairment/(impairment) trade and bills receivables, net	79	–	(103)	2,316	–	2,292
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	–	1,579	–	–	290	1,869
Fair value gains on financial assets at fair value through profit or loss	–	–	–	–	750	750
Capital expenditures*	523	–	34	–	286	843
Segment assets	41,061	15,821	50,975	–	56,986	164,843
Segment liabilities	24,599	616	26,050	–	17,667	68,932

5 SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits HK$'000	Finance lease services HK$'000	Trading of construction materials HK$'000	Headquarter HK$'000	Total HK$'000
Year ended 31 December 2018					
Revenue from external customers	36,447	324	23,938	–	60,709
Operating profit/(loss)	2,619	(8,873)	(2,744)	(33,145)	(42,143)
Interest income	25	383	–	1,568	1,976
Profit/(loss) before income tax	2,644	(8,490)	(2,744)	(31,577)	(40,167)
Other segment information:					
Depreciation	(727)	(30)	–	(141)	(898)
Impairment of goodwill	–	(5,144)	–	–	(5,144)
Provision for inventories	(1,070)	–	(3,112)	–	(4,182)
Impairment of finance lease receivables	–	(2,644)	–	–	(2,644)
Impairment of trade receivables	–	–	(2,465)	–	(2,465)
Impairment of loans receivables	–	–	–	(3,500)	(3,500)
Impairment of financial assets included in prepayment, other receivables and other assets	–	(1,579)	–	(290)	(1,869)
Fair value losses on financial assets at fair value through profit or loss	–	–	–	(947)	(947)
Dividend income	–	–	–	13	13
Capital expenditures*	(2,114)	(80)	–	(841)	(3,035)
Segment assets	18,431	17,488	21,074	65,974	122,967
Segment liabilities	1,295	178	63	3,083	4,619

* Capital expenditure consists of additions to property, plant and equipment, excluding assets from the acquisition of subsidiaries.

5 SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2019 **HK$'000**	2018 HK$'000
Hong Kong	**42,947**	33,036
Mainland China	**31,392**	27,673
	74,339	60,709

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2019 **HK$'000**	2018 HK$'000
Hong Kong	**41,081**	24,058
Mainland China	**8,036**	9,621
	49,117	33,679

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

5 SEGMENT INFORMATION *(Continued)*

Information about major customers

During the year ended 31 December 2019, revenue of HK$42,947,000 was derived from aircraft business management to a single customer (2018: HK$23,262,000 was derived from design and sales of integrated circuits to 3 customers and HK$23,938,000 was derived from trading of construction materials to 1 customer), which individually accounted for over 10% of the Group's total revenue.

	2019 **HK$'000**	2018 HK$'000
Customer A	**42,947**	N/A
Customer B	**N/A***	23,938
Customer C	**N/A***	9,098
Customer D	**N/A***	7,249
Customer E	**N/A***	6,915

* The corresponding revenue did not contribute over 10% or no contribution of the total revenue of the Group for the year ended 31 December 2019.

6 REVENUE

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customers	**73,483**	60,385
Revenue from other sources		
Finance lease income	**856**	324
	74,339	60,709

6 REVENUE *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Design and sales of integrated circuits HK$'000	Aircraft business management services HK$'000	Total HK$'000
Type of goods or services			
Sale of goods	30,536	–	30,536
Management services	–	42,947	42,947
Total revenue from contracts with customers	30,536	42,947	73,483
Geographical markets			
Hong Kong	–	42,947	42,947
Mainland China	30,536	–	30,536
Total revenue from contracts with customers	30,536	42,947	73,483
Timing of revenue recognition			
Goods transferred at a point in time	30,536	–	30,536
Services provided over a period of time	–	42,947	42,947
Total revenue from contracts with customers	30,536	42,947	73,483

The following table shows the movement in contract liabilities:

	Sales of goods 2019 HK$'000	Sales of goods 2018 HK$'000
Balance at 1 January 2019	2	406
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2)	(406)
Increase in contract liabilities as a result of cash received	440	2
Balance at 31 December 2019	440	2

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

Management services

Revenue is recognised in the amount that equals to the right to invoice with corresponds directly with the value to the customer of the Group's performance to date on a monthly basis.

6 REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Design and sales of integrated circuits HK$'000	Trading of construction materials HK$'000	Total HK$'000
Type of goods or services			
Sale of goods	36,447	23,938	60,385
Geographical markets			
Hong Kong	9,098	23,938	33,036
Mainland China	27,349	–	27,349
Total revenue from contracts with customers	36,447	23,938	60,385
Timing of revenue recognition			
Goods transferred at a point in time	36,447	23,938	60,385

The following table shows the movement in contract liabilities:

	Sales of goods 2018 HK$'000
Balance at 1 January 2018	406
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(406)
Increase in contract liabilities as a result of cash received	2
Balance at 31 December 2018	2

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

7 OTHER INCOME AND GAINS/(LOSSES), NET

	2019 HK$'000	2018 HK$'000
Interest income	**1,350**	1,976
Dividend income from equity investments at fair value through other comprehensive income/available-for-sale investments	**–**	13
Sundry income	**106**	207
Management fee income	**3,000**	–
Fair value gains/(losses) of financial assets at fair value through profit or loss	**750**	(947)
Exchange gains, net	**–**	72
Loss on disposal of property, plant and equipment	**(225)**	(6)
Impairment of goodwill	**–**	(5,144)
	4,981	(3,829)

8 LOSS BEFORE TAX

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

	Notes	2019 HK$'000	2018 HK$'000
Cost of inventories sold		**16,341**	45,276
Depreciation of property, plant and equipment	14	**1,160**	898
Depreciation of right-of-use assets	19	**7,887**	–
Auditor's remuneration		**980**	760
Minimum lease payments under operating leases		**–**	1,483
Employee benefits expenses (excluding directors' remuneration (note 9)):			
Salaries, allowances and benefits in kind		**18,528**	18,044
Pension scheme contributions		**1,738**	1,546
		20,266	19,590
(Reversal of provision)/provision for inventories*		**(794)**	4,182
Impairment of finance lease receivables#	18	**–**	2,644
(Reversal of impairment)/impairment of trade receivables#	21	**(2,292)**	2,465
(Reversal of impairment)/impairment of loans receivables#	23	**(3,462)**	3,500
(Reversal of impairment)/impairment of financial assets included in prepayments, other receivables and other assets#	22	**(1,869)**	1,869

* Included in "Cost of sales" in the consolidated statement of profit or loss.

Included in "General and administrative expenses" in the consolidated statement of profit or loss.

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the List of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contribution to retirement benefit contributions HK$'000	Share-based payments HK$'000	Total HK$'000
2019						
Executive directors:						
Mr. Liew Fui Kiang (note (ix))	20	80	–	–	–	100
Mr. Leung Pok Man	480	–	–	–	–	480
Ms. Lau Mei Ying	480	–	–	–	–	480
Mr. Wei Xiao (note (i))	–	1,747	–	17	–	1,764
Mr. Yang Lin (note(vii))	–	–	–	–	–	–
Mr. Xu Yinsheng (note(viii))	326	–	–	–	–	326
Mr. Liu Shixia (note(ix))	50	120	–	–	–	170
	1,356	1,947	–	17	–	3,320
Non-executive director:						
Mr. Zhou Danqing (note (vi))	120	–	–	2	–	122
Independent non-executive directors:						
Mr. Lee Man To (note (iv))	120	–	–	–	–	120
Ms. Choi Yee Man (note (iv))	120	–	–	–	–	120
Ms. Zhuge Chang (note (v))	21	–	–	–	–	21
Dr. Zhang Shengdong (note(x))	100	–	–	–	–	100
	361	–	–	–	–	361
	1,837	1,947	–	19	–	3,803

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' remuneration *(Continued)*

Name of director	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Employer's contribution to retirement benefit contributions HK$'000	Share-based payments HK$'000	Total HK$'000
2018						
Executive directors:						
Mr. Liew Fui Kiang (note (ix))	480	920	–	–	–	1,400
Mr. Leung Pok Man	480	–	–	–	–	480
Ms. Lau Mei Ying	480	–	–	–	–	480
Mr. Wei Xiao (note (i))	–	–	–	–	–	–
	1,440	920	–	–	–	2,360
Non-executive director:						
Mr. Zhou Danqing (note (vi))	120	–	–	–	–	120
Independent non-executive directors:						
Ms. Chow Chui Ying (note (ii))	35	–	–	–	–	35
Dr. Yang Yung-Ming (note (iii))	55	–	–	–	–	55
Mr. Lee Man To (note (iv))	85	–	–	–	–	85
Ms. Choi Yee Man (note (iv))	85	–	–	–	–	85
Ms. Zhuge Chang (note (v))	65	–	–	–	–	65
	325	–	–	–	–	325
	1,885	920	–	–	–	2,805

Notes:

(i) Appointed on 31 December 2018 and resigned on 3 July 2019
(ii) Resigned on 15 April 2018
(iii) Resigned on 15 June 2018
(iv) Appointed on 15 April 2018
(v) Appointed on 15 June 2018 and subsequently resigned on 4 March 2019
(vi) Re-designated on 15 April 2018
(vii) Appointed on 15 January 2019
(viii) Appointed on 25 April 2019
(ix) Appointed on 3 July 2019
(x) Appointed on 4 March 2019

9 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits and termination benefits

None of the .directors received or will receive any retirement benefits or termination benefits during the financial year (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the financial year ended 31 December 2019, the Company does not pay consideration to any third parties for making available directors' services (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled body corporates by and connected entities with such directors

As at 31 December 2019, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled body corporates by and controlled entities with such directors (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2019 and 2018.

10 FIVE HIGHEST PAID INDIVIDUALS

One of the five highest paid individuals serves as a director during the year (2018: one) of the Company whose emoluments are reflected in Note 9. Details of the remuneration for the year of the remaining four (2018: four) highest paid employees who are neither serves as a director nor chief executive of the Company are as follows:

	2019 **HK$'000**	2018 HK$'000
Basic salaries and allowances	**4,477**	4,831
Bonuses	**110**	1,737
Pension costs – defined contribution plan	**57**	39
	4,644	6,607

The emoluments of these four (2018: four) highest paid individuals fell within the following bands:

	Number of individuals	
	2019	2018
Nil – HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**2**	2
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,001	**–**	1
	4	4

During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to the directors or the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11 INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year (2018: 16.5%). Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the countries.

	2019 **HK$'000**	2018 HK$'000
Current – Hong Kong	**730**	7
– Mainland China	**40**	157
(Over)/under – provision in prior year – Mainland China	**(409)**	27
Deferred (note 16)	**–**	(171)
Total tax charge for the year	**361**	20

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to loss in the respective countries as follows:

	2019 **HK$'000**	2018 HK$'000
Loss before tax	**(22,353)**	(40,167)
Tax calculated at domestic tax rates applicable to profit in the respective countries	**(4,249)**	(6,964)
Income not subject to tax	**(389)**	(137)
Expenses not deductible for tax	**182**	1,144
Tax incentives for research and development expenses (note)	**–**	(422)
Tax losses not recognised	**4,817**	6,363
Others	**–**	36
Income tax expense	**361**	20

Note:

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("Super Deduction"). The additional deduction of 50% of qualified research and development expenses is subject to the approval from the relevant tax authorities in the annual CIT filling. The Group has made its best estimate for the Super Deduction to be claimed in ascertaining the assessable profits for the years ended 31 December 2019 and 2018.

12 DIVIDEND

No dividend has been paid or proposed during the year 31 December 2019 nor has any dividend been proposed since the end of the reporting period (2018: Nil).

13 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

	2019	2018
	HK$'000	HK$'000
Loss attributable to ordinary equity holders of the parent	**(21,065)**	(40,187)

	Number of shares	
	2019	2018
	'000	'000
Weighted average number of ordinary shares in issue	**336,587**	336,587
	HK cents	HK cents
Basic loss per share	**(6.26)**	(11.94)

(b) Diluted

The Company has not issued any potentially dilutive ordinary shares during the years ended 31 December 2019 and 2018.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor Vehicle HK$'000	Total HK$'000
Cost				
At 1 January 2018	74	8,708	–	8,782
Additions	–	1,974	981	2,955
Acquisition of subsidiaries (note 30)	–	80	–	80
Disposals	–	(348)	–	(348)
Exchange realignment	–	(508)	(11)	(519)
At 31 December 2018 and 1 January 2019	74	9,906	970	10,950
Additions	118	725	–	843
Acquisition of subsidiaries (note 30)	–	305	–	305
Disposals	(89)	(486)	–	(575)
Exchange realignment	–	(195)	(6)	(201)
At 31 December 2019	103	10,255	964	11,322
Accumulated depreciation				
At 1 January 2018	(73)	(6,201)	–	(6,274)
Charge for the year (note 8)	(1)	(758)	(139)	(898)
Disposals	–	317	–	317
Exchange realignment	–	332	1	333
At 31 December 2018 and 1 January 2019	(74)	(6,310)	(138)	(6,522)
Charge for the year (note 8)	(2)	(986)	(172)	(1,160)
Disposal	2	285	–	287
Exchange realignment	–	111	–	111
At 31 December 2019	(74)	(6,900)	(310)	(7,284)
Net carrying amount				
At 31 December 2018	–	3,596	832	4,428
At 31 December 2019	29	3,355	654	4,038

15 INTANGIBLE ASSETS

As at 31 December 2019, the expenditure for technology development incurred by Shenzhen Qiping is recorded as the expenditure for the development of naked-eye 3D projects. Such projects have reached the final testing stage and will be used in the production and sales of naked-eye 3D products in the future, and can be granted the patent finally. Therefore, the final research and development ("R&D") expenditure is recognized as capital expenditure.

	Computer software HK$'000	R&D HK$'000	Total HK$'000
At 31 December 2019			
Cost at 1 January 2019, net of accumulated amortisation	–	–	–
Acquisition of subsidiaries (note 30)	–	2,190	2,190
Exchange realignment	–	(103)	(103)
At 31 December 2019	–	2,087	2,087
Cost	5,005	2,087	7,092
Accumulated amortisation	(5,005)	–	(5,005)
Net carrying amount	–	2,087	2,087

	Computer software HK$'000	R&D HK$'000	Total HK$'000
At 31 December 2018			
Cost	5,005	–	5,005
Accumulated amortisation	(5,005)	–	(5,005)
Net carrying amount	–	–	–

16 DEFERRED TAX ASSETS

	Provision of Inventories HK$'000
At 1 January 2018	479
Deferred tax credited to the statement of profit or loss during the year (note 11)	171
Exchange realignment	(31)
At 31 December 2018 and at 1 January 2019	**619**
Exchange realignment	**(12)**
At 31 December 2019	**607**

The Group has tax losses arising in Hong Kong of HK$138,240,000 (2018: HK$116,883,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$26,704,000 (2018: HK$22,118,000) that will expire in 1 to 5 years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as management not considered probable that taxable profits will be available against which the tax losses can be utilised.

17 EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 **HK$'000**	2018 HK$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted investment, at fair value		
Cornerstone Securities Limited	**23,100**	23,196

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers there investments to be strategic in nature.

18 FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprises:				
Within one year	**5,671**	2,986	**5,668**	2,965
After one year but within two years	**–**	5,778	**–**	5,452
Gross investment in lease	**5,671**	8,764	**5,668**	8,419
Less: Unearned finance income	**(3)**	(345)	**–**	–
Present value of minimum lease payments	**5,668**	8,419	**5,668**	8,419
Less: Impairment losses allowance	**–**	(2,644)	**–**	(2,644)
	5,668	5,775	**5,668**	5,775

	2019	2018
	HK$'000	HK$'000
Analysis for reporting purpose:		
Current assets	**5,668**	–
Non-current assets	**–**	5,775
	5,668	5,775

18 FINANCE LEASE RECEIVABLES *(Continued)*

The movements in the loss allowance for impairment of finance lease receivables are as follows:

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**2,644**	–
Impairment losses (note 8)	**–**	2,644
Amount written off as uncollectible	**(2,644)**	–
At end of year	**–**	2,644

Further qualitative and quantitative information regarding credit risk of finance lease receivables is disclosed in note 36 to the financial statement

The Group applies the HKFRS 9 general approach to measuring expected credit losses which uses a 12-month basis ECL for finance lease receivables. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual finance lease receivable after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest payment, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of finance lease receivables.

19 LEASES

The Group as lessee

The Group leases office premises for its daily operations. The lease term is two years, with an option to renew the lease when all term are renegotiated. Lease payments are usually increased annually to reflect current market rentals.

(a) Right of use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises HK$'000
As at 1 January 2019	658
Additions	22,004
Acquisition of subsidiaries	1,782
Depreciation charge	(7,887)
As at 31 December 2019	16,557

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Lease liabilities HK$'000
Carrying amount at 1 January 2019	658
New leases	22,004
Additions as a result of acquisition of non-controlling interest	1,782
Payments	(6,998)
Accretion of interest recognised during the year	657
Carrying amount at 31 December 2019	18,103
Analysed into:	
Current portion	12,466
Non-current portion	5,637
	18,103

19 LEASES *(Continued)*

The Group as lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	657
Depreciation charge of right-of-use assets	7,887
Total amount recognised in profit or loss	8,544

20 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	8,483	1,640
Work in progress	955	1,934
Finished goods	5,868	7,236
	15,306	10,810
Less: provision for inventories	(2,874)	(3,668)
Inventories, net	12,432	7,142

21 TRADE AND BILLS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**51,682**	25,572
Less: Impairment	**(173)**	(2,465)
	51,509	23,107
Bills receivables	**2,790**	1,626
Trade and bills receivables	**54,299**	24,733

Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The ageing analysis of trade receivables as at the end of the reporting period, based on invoice or date and net of loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Within 1 month	**5,967**	690
More than 1 month but less than 3 months	**14,931**	1,394
More than 3 months	**30,611**	21,023
	51,509	23,107

21 TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables *(Continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	**2,465**	–
(Reversal of)/impairment losses, net (note 8)	**(2,292)**	2,465
At end of year	**173**	2,465

Impairment

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Past due					
	Current		1 to 3 months		Over 3 months		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Expected credit loss rate	**0.63%**	2.35%	**0.52%**	5.84%	**0.19%**	10.31%	**0.34%**	9.40%
Gross carrying amount (HK$'000)	**6,005**	2,152	**15,008**	5	**30,669**	23,415	**51,682**	25,572
Expected credit losses (HK$'000)	**38**	51	**77**	–	**58**	2,414	**173**	2,465

Bills receivables

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**1,101**	–
More than 1 month but less than 3 months	**894**	1,093
More than 3 months but less than 6 months	**795**	533
	2,790	1,626

22 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Deposits and other receivables	**7,369**	5,681
Prepayments	**9,802**	3,267
Proceeds receivable from derecognition of investments at fair value through profit or loss	**–**	3,049
	17,171	11,997
Impairment allowance	**–**	(1,869)
	17,171	10,128
Less: non-current portion – long-term deposits	**(3,335)**	(280)
Current portion	**13,836**	9,848

Deposits and other receivables mainly represent rental deposits, interest receivables of loans receivables and loans to independent third parties. Where applicable, an impairment analysis is performed in deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit rating can be identified, expected cred losses are estimated by a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate. As at 31 December 2019 and 2018, the Group has concluded that the probability of default and loss rate are low and the financial impact of expected credit losses for deposits and other receivables under HKFRS 9 is insignificant for the years ended 31 December 2019 and 2018.

As at 31 December 2019, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

23 LOANS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loans receivables, unsecured	**18,705**	22,532
Less: Impairment	**(38)**	(3,500)
	18,667	19,032

The Group's loans receivables are stated at amortised cost and bear fixed interest rates at 5% and 10%. The credit terms of these loans receivables range from 12 months to 22 months.

The movements in the loss allowance for the impairment of loans receivables are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	**3,500**	–
(Reversal of impairment)/impairment losses	**(3,462)**	3,500
At end of year	**38**	3,500

The Group applies general approach to measuring expected credit losses which uses a 12-month basis ECL for loans receivables. The Group determines the provision for ECL by exercising significant judgements to evaluate the collectability from individual loans receivables after taking into account their creditworthiness, whether they have financial difficulties, experience of default or delinquency in interest or principal payments, ageing analysis and forecast of future events and economic conditions which may impact the recoverability of loans receivables.

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Listed equity investments, at fair value	**1,545**	2,154

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The fair value of the Group's long term investments as at the date of approval of these financial statements was HK$735,000.

25 CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**8,516**	24,339
Time deposits	**–**	1,262
Cash and cash equivalents	**8,516**	25,601

As at 31 December 2019, the cash and bank balances of the Group's subsidiary in the Mainland China denominated in Renminbi ("RMB") amounted to HK$5,857,000 (2018: HK$4,394,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for others currencies through banks authorised to conduct foreign exchange business.

Cash at banks and time deposits earns interest at floating rate based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26 TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
Within 1 month	**3,167**	298
More than 3 months	**24,771**	63
	27,938	361

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

27 OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Accrued staff benefits	**4,690**	3,288
Accrued professional fees	**1,479**	792
Contract liabilities (note (a))	**440**	2
Other payables (note (b))	**15,621**	169
	22,230	4,251

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers			
Sale of goods	**440**	2	406

Contract liabilities include short-term advances received to design and sales of integrated circuits. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to the design and sales of integrated circuits at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of one month.

28 SHARE CAPITAL

	Number of shares '000	Ordinary shares HK$'000	Share premium HK$'000	Total share capital HK$'000
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	336,587	33,659	101,263	134,922

The total authorised number of ordinary shares is 1,000 million shares (2018: 1,000 million shares) with a par value of HK$0.1 per share (2018: HK$0.1 per share). All issued shares are fully paid.

29 OTHER RESERVES

	Exchange reserve HK$'000	Fair value reserve HK$'000	Capital reserve HK$'000	Total HK$'000
At 1 January 2018	772	–	–	772
Other comprehensive income/(loss) for the year:				
Changes in fair value of equity investments designed at fair value through other comprehensive income	–	196	–	196
Exchange differences on translation	(2,764)	–	–	(2,764)
Total comprehensive (loss)/income for the year	(2,764)	196	–	(2,568)
At 31 December 2018 and 1 January 2019	**(1,992)**	**196**	**–**	**(1,796)**
Other comprehensive loss for the year:				
Changes in fair value of equity investments designed at fair value through other comprehensive income	**–**	**(96)**	**–**	**(96)**
Exchange differences on translation	**(853)**	**–**	**–**	**(853)**
Total comprehensive loss for the year	**(853)**	**(96)**	**–**	**(949)**
Capital contribution from non-controlling shareholders	**–**	**–**	**156**	**156**
At 31 December 2019	**(2,845)**	**100**	**156**	**(2,589)**

30 BUSINESS COMBINATION

2019

On 4 January 2019, the Group acquired a 70% equity interest in Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司) ("Shenzhen Qiping", together with its subsidiaries, collectively referred to as "Qiping Group") for a total consideration of HK$2,337,000. Shenzhen Qiping is engaged in research and development real time 2D-3D conversion display products and provide software and hardware integration services for 2D-3D conversion display products in PRC. The fair values of the identifiable assets and liabilities of Shenzhen Qiping acquired as at the date of the acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment (note 14)	305
Intangible assets (note 15)	2,190
Cash and cash equivalents	675
Inventories	1,376
Prepayments, other receivables and other assets	7,395
Trade payables	(108)
Other payables and accruals	(8,494)
Total identifiable net assets	3,339
Non-controlling interests	(1,002)
Consideration	2,337

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

	HK$'000
Cash consideration	(2,337)
Cash and cash equivalents acquired	675
Net inflow of cash and cash equivalents included in cash flows from investing activities	(1,662)

Since the acquisition, Shenzhen Qiping contributed HK$475,000 to the Group's revenue and HK$3,848,000 to the consolidated loss for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$74,627,000 and HK$22,843,000, respectively.

* *For identification purposes only*

30 BUSINESS COMBINATION *(Continued)*

2018

On 28 February 2018, the Group acquired a 100% interest in Wit Sky Limited and its subsidiaries (the "Wit Sky Group") from an independent third party. Wit Sky Group is engaged in finance leasing services in Mainland China. The acquisition was made as part of the Group's strategy to expand its finance lease services. The purchase consideration for the acquisition was in the form of cash of HK$30,000,000 was paid by the Group as included in deposits, prepayments and other receivables in 2017. Details of which were set out in the announcement of the Group dated 27 October 2017, 13 November 2017 and 28 February 2018.

The fair values of the identifiable assets and liabilities of Wit Sky Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment (note 14)	80
Cash and bank balances	1,511
Finance leases receivables	13,283
Prepayments, other receivables and other assets	3,179
Loan receivables	7,381
Other payables and accruals	(578)
Total identifiable net assets at fair value	24,856
Goodwill on acquisition	5,144
Satisfied by cash	30,000

The fair values of the finance lease and other and loan receivables as at the date of acquisition amounted to HK$13,283,000 and HK$3,179,000 and HK$7,381,000, respectively. The gross contractual amounts of finance lease and other and loan receivables were HK$16,015,000 and HK$3,190,000 and HK$7,425,000, respectively, of which finance lease and other and loan receivables of HK$2,732,000, HK$11,000 and HK$44,000 are expected to be uncollectible.

30 BUSINESS COMBINATION *(Continued)*

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

	HK$'000
Cash consideration	30,000
Less: Deposit for acquisition of Wit Sky Group 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

Since the acquisition, Wit Sky Group contributed HK$324,000 to the Group's revenue and HK$8,490,000 to the consolidated loss for the year ended 31 December 2018.

31 NON-CONTROLLING INTERESTS

The total non-controlling interests mainly relate to Shenzhen Qiping, a 70% owned subsidiary of the Group.

As at 31 December 2019, the current asset, current liabilities and non-current assets of Shenzhen Qiping are HK$15,341,000, HK$19,579,000 and HK$2,801,000, respectively.

32 COMMITMENTS

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

As at 31 December 2018, the Group had total future aggregate minimum lease payments for office premises under non-cancellable operating leases are as follows:

	HK$'000
– Not later than one year	1,086
– Later than one year and not later than five years	187
	1,273

33 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year.

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:

	2019	2018
	HK$'000	HK$'000
Basic salaries and allowances	**4,051**	3,944
Bonuses	**–**	237
	4,051	4,181

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss, all financial assets and liabilities of the Group as at 31 December 2019 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash and cash equivalents, the current portion of finance lease receivables, loans receivables, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, lease liabilities, 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 of directors 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 of directors. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry and size and to calculate an appropriate market multiple, such as market capitalisation-to-book value ratio for each comparable company identified. The multiple is calculated by dividing the market capitalisation of the comparable company by a book value measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding market capitalisation measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of unlisted equity investments designated at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	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
As at 31 December 2019				
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**23,100**	**23,100**
Financial assets at fair value through profit or loss	**1,545**	**–**	**–**	**1,545**
	1,545	**–**	**23,100**	**24,645**

	Fair value measurement using			
	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
As at 31 December 2018				
Equity investments designated at fair value through other comprehensive income	–	–	23,196	23,196
Financial assets at fair value through profit or loss	2,154	–	–	2,154
	2,154	–	23,196	25,350

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the year, 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 (2018: Nil).

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2019	2018
	HK$'000	HK$'000
Equity investments at fair value through other comprehensive income		
At 1 January	**23,196**	23,000
Total (loss)/gain recognised in other comprehensive income	**(96)**	196
At 31 December	**23,100**	23,196

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Mean market capitalisation-to-book value ratio	2019: 0.53 to 1.90	5% increase/decrease in multiple would result in increase/decrease in fair value by HK$1,155,000
		Discount for lack of marketability	2019: 10%	5% increase/decrease in discount would result in decrease/increase in fair value by HK$257,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$22,004,000 and HK$22,004,000 respectively, in respect of lease arrangements for office premises (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Leases liabilities HK$'000
At 31 December 2018	–
Effect of adoption of HKFRS 16	658
At 1 January 2019	658
Changes from financing cash flows	(6,341)
New leases	22,004
New leases from acquisition of subsidiaries	1,782
Interest expenses	657
Interest paid classified as operating cash flows	(657)
At 31 December 2019	18,103

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Group's principal financial instruments are used to raise finance for the Group's operations and investments. The Group has various other financial assets and liabilities such as loans and trade and bills receivables, other receivables and other assets, finance lease receivables, financial assets at fair value through profit or loss, cash and cash equivalents, and financial liabilities included in trade payables, other payables and accruals and lease liabilities which arise directly from its operations. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates in both the PRC and Hong Kong. Most of the transactions for the PRC reporting entity is denominated in RMB, whereas that for Hong Kong reporting entities are denominated in HK$ and United States dollar ("US$"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Management is responsible for managing the net position in each foreign currency. The Group currently does not have a foreign currency hedging policy. As the assets and liabilities of the PRC reporting entity is mainly denominated in RMB, its functional currency, the directors are of the opinion that their volatility of their profits against changes in exchange rates of foreign currencies would not be significant. Accordingly, no sensitivity analysis is performed.

Moreover, as the assets and liabilities of the HK reporting entities are mainly denominated in HK$, its functional currency, and US$ are reasonably stable against the HK$ under the Linked Exchange Rate System, the directors are of the opinion that the Group does not have significant foreign exchange risk. Accordingly, no sensitivity analysis is performed.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing financial assets. Interest-bearing financial assets are the interests on loans receivables and deposits with banks. Interests on deposits with banks based on deposit rates offered by bank while interests on loans receivables are based on fixed rates. As at 31 December 2019, the Group has no significant interest rate risk as the Group has no significant interest-bearing assets or liabilities.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from financial assets at fair value through profit or loss as at 31 December 2019. The Group's listed investments are listed on the Stock Exchange and the NASDAQ market and are valued at quoted market prices at the end of the reporting period.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Equity price risk *(Continued)*

The following table demonstrates the sensitivity to every 10% (2018: 10%) change in the fair values of the listed equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investment HK$'000	Decrease/ (increase) in loss before tax HK$'000
2019		
Investment listed in:		
Hong Kong – financial assets at fair value through profit or loss	**1,545**	**155**
2018		
Investment listed in:		
United States of America – financial assets at fair value through profit or loss	1,359	136
Hong Kong – financial assets at fair value through profit or loss	795	80
	2,154	216

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to the financial lease and loans and trade receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, management reviews the recoverable amounts of loans and trade receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Credit risk *(Continued)*

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of those instruments.

At the end of the reporting period, the Group had concentrations of credit risk as 99% (2018: 99%) of the Group's trade receivables were due from the Group's top five largest customers. The Group mitigates it concentration risk from it major customers by doing businesses with a number of customers for the same or similar products and the Group actively monitors the credit quality of its customers and adjusts the credit limits granted to the customers should their credit quality deteriorate or when there are signs of slow payment of outstanding receivables. Further quantitative data in respect of the Group's exposure to credit risk arising from these receivables are disclosed in note 21 to the consolidated financial statements.

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Finance lease receivable	5,668	–	–	–	5,668
Trade and bills receivables*	–	–	–	54,472	54,472
Financial assets included in other receivables and other assets					
– Normal**	7,369	–	–	–	7,369
– Doubtful**	–	–	–	–	–
Cash and cash equivalents					
– Not yet past due	8,516	–	–	–	8,516
Loan receivable					
– Not yet past due	18,667	38	–	–	18,705
	40,220	38	–	54,472	94,730

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Credit risk *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Finance lease receivable	–	–	–	5,775	5,775
Trade and bills receivables*	–	–	–	27,198	27,198
Financial assets included in other receivables and other assets					
– Normal**	4,992	–	–	–	4,992
– Doubtful**	–	1,869	–	–	1,869
Cash and cash equivalents					
– Not yet past due	25,601	–	–	–	25,601
Loan receivable					
– Not yet past due	19,032	3,500	–	–	22,532
	49,625	5,369	–	32,973	87,967

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial risk factors *(Continued)*

Liquidity risk

Internally generated cash flows are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes diversifying the funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019		
	On demand or within one year HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Trade payables	**27,938**	**–**	**27,938**
Other payables and accruals	**21,790**	**–**	**21,790**
Lease liabilities	**13,006**	**7,444**	**20,450**
	62,734	**7,444**	**70,178**

	2018		
	On demand or within one year HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	361	–	361
Other payables and accruals	4,249	–	4,249
	4,610	–	4,610

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities expressed as a percentage of the total equity and liabilities. As at 31 December 2019, the gearing ratio was approximately 41.9% (2018: 3.76%). Management considers a ratio of not more than 30% as optimal.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2019

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss – Mandatorily designated as such upon initial recognition HK$'000	Financial assets at fair value through other comprehensive income – Equity investments HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	23,100	23,100
Financial lease receivables	5,668	–	–	5,668
Trade and bills receivables	54,299	–	–	54,299
Financial assets included in other receivables and other assets	7,369	–	–	7,369
Loans receivables	18,667	–	–	18,667
Financial assets at fair value through profit or loss	–	1,545	–	1,545
Cash and cash equivalents	8,516	–	–	8,516
	94,519	1,545	23,100	119,164

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(Continued)

Financial instruments by category *(Continued)*

Financial assets *(Continued)*

2018

	Financial assets at amortised cost HK$'000	Financial assets at fair value through profit or loss – Mandatorily designated as such upon initial recognition HK$'000	Financial assets at fair value through other comprehensive income – Equity investments HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	23,196	23,196
Financial lease receivables	5,775	–	–	5,775
Trade and bills receivables	24,733	–	–	24,733
Financial assets included in other receivables and other assets	6,861	–	–	6,861
Loans receivables	19,032	–	–	19,032
Financial assets at fair value through profit or loss	–	2,154	–	2,154
Cash and cash equivalents	25,601	–	–	25,601
	82,002	2,154	23,196	107,352

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Financial instruments by category *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2019	2018
	HK$'000	HK$'000
Lease liabilities	**18,103**	–
Trade payables	**27,938**	361
Other payables and accruals	**21,790**	4,249
	67,831	4,610

Offsetting financial assets and financial liabilities

No financial assets or liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2019 (2018: same).

Major customers and suppliers

The five largest customers of the Group accounted for approximately 83% (2018: 86%) of the Group's total revenue while the largest customer of the Group accounted for approximately 58% (2018: 39%) of the Group's total revenue. In addition, for the year ended 31 December 2019, the five largest suppliers of the Group accounted for approximately 57% (2018: 54%) of the Group's total purchases while the largest supplier of the Group accounted for approximately 30% (2018: 15%) of the Group's total purchases.

The Group mitigates its concentration risk from its major customers by doing businesses with a number of customers for the same or similar products. The Group also maintains relationships with a number of accredited suppliers so as to reduce its reliance of any of them.

37 EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2019:

(i) Investment in Red Power

On 14 February 2020, the Company announced that it planned to acquire 202 ordinary shares of Red Power Developments Limited ("Red Power"), representing 20.2% of its whole equity interest (the "Investment in Red Power").

Group of Red Power is principally engaged in (i) development, sales, lease and maintenance of equipment involving the application of aviation technology; (ii) development, sales and lease of helicopter; (iii) development of aviation technology and provision of technical consultancy services; (iv) provision of air transportation services; and (v) sales and leasing of aviation equipment.

The consideration for the Investment in Red Power is approximately HK$25.9 million which shall be fully settled by the allotment and issuance, credited as fully paid, of 33,658,000 consideration Shares by the Company at the issue price of HK$0.77 per consideration Share at completion. The Group will make an irrevocable election to account the Investment in Red Power as fair value through other comprehensive income. The Group intends to hold this investment as a long-term investment.

As at the date of this annual report, the acquisition underlying the Investment in Red Power has not been completed, and the Company will make further announcement(s) as and when appropriate.

On 31 March 2020, the Company announced that the long stop date to fulfill conditions of the acquisition underlying the Investment in Red Power was extended to 30 April 2020.

On 29 April 2020, Company further announced that the long stop date to fulfill conditions of the acquisition underlying the investment in Red power was extended to 31 May 2020.

37 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(ii) Investment in Ideal Best

Ideal Best is a company incorporated in the British Virgin Islands with limited liability. The principal business of Ideal Best is investment holding. Ideal Best is the sole registered and beneficial owner of Ideal Best (CNMI), LLC, a company incorporated in the Commonwealth of the Northern Mariana Islands with limited liability and is the holder of the leasehold interest in a Saipan property. The Saipan property comprises a land parcel with a site area of approximately 4,536 square metres upon which there is a housing development namely Miller's Estates. The total gross floor area of the Saipan property is approximately 1,953 square metres within six apartment buildings containing a total of 31 apartment units. According to a preliminary valuation prepared by an independent professional valuer, the Saipan property has a value of US$4.5 million (equivalent to approximately HK$34.9 million) as at 29 February 2020.

The acquisition for the Investment in Ideal Best is part of the settlement package between the Company and Imperial Pacific regarding the total amounts owed by Imperial Pacific to the Group. On 27 March 2020, Imperial Pacific is in debt to the Group of approximately HK$31.8 million, being the aggregate sum of a billing amount of approximately HK$23.4 million, the outstanding principal amount of a loan of approximately HK$7.7 million and the business segment of money lending in Hong Kong.

In order to settle all amounts owed by Imperial Pacific to the Group, it was agreed that:

(a) the Company agreed to conditionally waive the interest of the loan of approximately HK$7.7 million since 27 March 2020, conditionally on the completion of the whole settlement package;

(b) Imperial Pacific agreed to repay approximately HK$1.5 million for the billing amount in cash. After the repayment of approximately HK$1.5 million, Imperial Pacific is expected to owe the debt of approximately HK$30.3 million ("Debt") to the Group immediately before completion of the whole settlement package.

(c) The Company agreed to purchase the sale share and sale loan of Ideal Best at the consideration of approximately HK$30.3 million. The consideration for the Investment in Ideal Best shall be satisfied by the Company to Imperial Pacific by way of set-off of the whole amount of the Debt on a dollar-for-dollar basis against the consideration payable by the Company to Imperial Pacific.

Upon completion, Ideal Best will become a direct wholly owned subsidiary of the Company and the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group. On the other hand, the Debt will be reduced to nil after the completion.

As at the date of this annual report, the acquisition underlying the Investment in Ideal Best has not been completed, and the Company will make further announcement(s) as and when appropriate.

37 EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(iii) Exiting from the Investment in Bright Team

In January 2019, the Group acquired 70% equity interest of Shenzhen Qiping, which is indirectly held by a direct subsidiary of the Company, Bright Team International Group Limited ("Bright Team") (the "Investment in Bright Team").

On 28 March 2020, after reviewing Shenzhen Qiping's business of hardware and software integration services for real time 2D-3D conversion display products, the Company had accrued interests thereon of approximately HK$0.7 million. The billing amount was generated in the business segment of trading in construction materials and the loan was generated in the conditionally agreed to dispose of its whole interests in Bright Team to a third party independent to the Group at the consideration of HK$2.5 million. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase the Investment in Bright Team at HK$2.6 million within 12 months since 28 March 2020.

The Group's cost in the Investment in Bright Team amounted to approximately HK$2.3 million. As the business of Shenzhen Qiping has a nature of innovation and high-tech, the Group expected of a profit in the long term. However, the Group did not have sufficient resources to support the growth of Shenzhen Qiping, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan of Shenzhen Qiping. Therefore, the Company is of the view that Shenzhen Qiping's full potential may take a longer time to realize than the Company's original expectation. Hence, the Company decided to exit from the Investment in Bright Team. Nevertheless, the Company wishes to keep an option to re-enter into this business sector by having a buy-back right at an acceptable repurchase price.

Given the relatively small size of the Investment in Bright Team and Shenzhen Qiping, the Company is of the view that the disposal would not have a material impact on the operations and financials of the Group as a whole.

As at the date of this annual report, the disposal underlying the Investment in Shenzhen Qiping has not been completed, and the Company will make further announcement(s) as and when appropriate.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	193	150
Investments in subsidiaries	81,828	89,017
Right-of-use assets	12,860	–
Long-term deposits	3,137	111
Total non-current assets	98,018	89,278
CURRENT ASSETS		
Loans receivables	11,990	12,200
Financial assets at fair value through profit or loss	–	1,359
Prepayments, other receivables and other assets	1,226	4,253
Cash and cash equivalents	478	10,359
Total current assets	13,694	28,171
CURRENT LIABILITIES		
Trade payables	12	–
Other payables and accruals	3,438	3,082
Lease liabilities	9,812	–
Total current liabilities	13,262	3,082
NET CURRENT ASSETS	432	25,089
TOTAL ASSETS LESS CURRENT LIABILITIES	98,450	114,367
NON-CURRENT LIABILITIES		
lease liabilities	4,378	–
NET ASSETS	94,072	114,367
CAPITAL AND RESERVES		
Share capital	134,922	134,922
Other reserves (note)	158,366	158,366
Accumulated losses (note)	(199,216)	(178,921)
Total equity	94,072	114,367

LAU Mei Ying
Director

LEUNG Pok Man
Director

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Note: Reserve movement of the Company

	Accumulated losses HK$'000	Other reserves: Contributed surplus HK$'000	Other reserves: Capital reserve HK$'000	Total HK$'000
At 1 January 2018	**(138,425)**	**137,800**	**20,566**	**158,366**
Loss for the year	**(40,496)**	**–**	**–**	**–**
At 31 December 2018	**(178,921)**	**137,800**	**20,566**	**158,366**
Loss for the year	**(20,295)**	**–**	**–**	**–**
At 31 December 2019	**(199,216)**	**137,800**	**20,566**	**158,366**

39 APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 12 May 2020.