



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

(Incorporated in Bermuda with limited liability)

Stock Code: 1010

INTERIM REPORT 2020



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Lin (*Chairman*)
Mr. Xu Yinsheng
Ms. Li Wei Na^{Note 1}
Mr. Leung Pok Man
Ms. Lau Mei Ying
Mr. Liu Shixia^{Note 2}
Mr. Xu Beinan (*Chief Executive Officer*)^{Note 3}

Non-executive Director

Mr. Zhou Danqing

Independent Non-executive Directors

Ms. Ching Ching^{Note 4}
Ms. Weng Yuzhen^{Note 5}
Mr. Zhang Shengdong
Mr. Lee Man To^{Note 6}
Ms. Choi Yee Man^{Note 7}

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching (*Chairman*)^{Note 4}
Ms. Weng Yuzhen^{Note 5}
Mr. Zhang Shengdong
Mr. Lee Man To (*Chairman*)^{Note 6}
Ms. Choi Yee Man^{Note 7}

Remuneration Committee

Ms. Ching Ching (*Chairman*)^{Note 4}
Ms. Weng Yuzhen^{Note 5}
Mr. Zhang Shengdong
Mr. Lee Man To^{Note 6}
Ms. Choi Yee Man (*Chairman*)^{Note 7}

Nomination Committee

Ms. Ching Ching (*Chairman*)^{Note 4}
Ms. Weng Yuzhen^{Note 5}
Mr. Zhang Shengdong
Mr. Lee Man To^{Note 6}
Ms. Choi Yee Man (*Chairman*)^{Note 7}

Notes:

1. Appointed on 14 August 2020
2. Resigned on 14 April 2020
3. Appointed on 14 April 2020 and resigned on 14 August 2020
4. Appointed on 23 June 2020
5. Appointed on 17 July 2020
6. Resigned on 8 June 2020
7. Resigned on 8 June 2020

COMPANY SECRETARY

Mr. Zhou Danqing

STOCK CODE

1010

WEBSITE

<http://pacray.com.hk>

AUDITORS

Zenith CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Michael Li & Co.

PRINCIPAL BANKERS

Bank of Communications (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

28th Floor of Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
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

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group has been 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.

Since March 2020, the Group has decided (i) to terminate the business in the trading of construction materials, by not seeking new business and by focusing on recover the existing trade receivables; (ii) to dispose of the business in research and development in real time 2D-3D conversion display products, while maintaining an option to re-enter this segment; and (iii) to scale down the businesses in financial leasing in the PRC and the money lending in Hong Kong.

For the six months ended 30 June 2020, the Company also announced two acquisitions, including (i) a possible acquisition of 20.2% equity interest in Red Power Developments Limited, a company which is mainly engaged in aviation services; and (ii) a possible acquisition of the entire equity interest and shareholder loan of Ideal Best Limited, a company which holds an interest in a Saipan property.

For the six months ended 30 June 2020, the Group recorded a consolidated revenue of approximately HK\$35.3 million (six months ended 30 June 2019: approximately HK\$20.4 million) and a loss attributable to owners of the parent of HK\$1.2 million (six months ended 30 June 2019: approximately HK\$8.7 million).

Looking back into the six months ended 30 June 2020, the business environment remained tough and challenging. The threats of lower economy growth momentum, higher cost pressure, higher competitive forces and more uncertain prospects were noticeable in late 2019 but has become more obvious in the first half of 2020. Despite the management used their best endeavor to deal with such hardship, certain business segments of the Group shew no sigh of a turnaround in the performance in the near future, under the context of a dooming COVID-19 outbreak, a worsening America/China relationship, and a declining Hong Kong economy. Accordingly, the Group had no other alternatives but to terminate, dispose of or downscale. Although, the Group recorded a relatively stable result for the six months ended 30 June 2020 as compared with the six months ended 30 June 2019, the management remained conservative for the future performances.

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, the 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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. For the six months ended 30 June 2020, the total product mix between caliper and MCU remains stable, approximately 66% (six months ended 30 June 2019: 65%) and 34% (six months ended 30 June 2019: 35%) 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.

For the six months ended 30 June 2020, the operation of this segment recorded (i) a revenue of approximately HK\$12.5 million (six months ended 30 June 2019: approximately HK\$14.0 million); and (ii) a gross profit of approximately HK\$6.3 million (six months ended 30 June 2019: approximately HK\$7.1 million). Since late 2019, the 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 America/China trade war commenced, continued and escalated, and therefore the US dollars appreciated, the cost of raw material (e.g. silicon wafers which are of US dollar settlement) and staff continued increasing, which led to lower profit margin and higher operating pressure.

Trading of construction materials

For the six months ended 30 June 2020, the Group has decided to terminate the business in the trading of construction materials, by not seeking new business and by focusing on recovering outstanding trade receivables. For the six months ended 30 June 2020, the operation of this segment recorded nil revenue (six months ended 30 June 2019: nil).

The negative performance of this segment was firstly noticed in 2019. In the past, the Group mainly served customers in the Pan-Asia Pacific, including certain islands of the US territories. In 2019, the America/China trade war significantly damaged customers’ confidence in security of our supply chain, concerning that the Group cannot complete an order with agreed quantity in time. Despite the management’s arduous efforts to improve customer relationship and confidence, no concrete purchase orders from new customers were solicited in 2019. Then in the six months ended 30 June 2020, there had been no sign of improvement in the business environment, with certain islands of the US territories facing one of the serious recessions of economy. Accordingly, the management believed exiting from this business segment and avoiding unnecessary costs, such as marketing and promotion expenses, would be more beneficial.

On the other hand, the management has shifted their focuses on recovering existing receivables from this business segment. In March 2020, the management noticed that certain customer is experiencing a financial difficulty due to the COVID-19 outbreak and the local economic recessions, and therefore recoverability of receivables of approximately HK\$23 million from the customer had significantly deteriorated. Later the management has escalated the responsive measure, by entering into a settlement arrangement with the customer, including that the Company will purchase a Saipan property from the customer with the consideration to be paid by setting off the outstanding receivables from the customer. As at the date of the report, the settlement arrangement has been delayed due to the impact of the COVID-19 outbreak.

Financial leasing in the PRC

For the six months ended 30 June 2020, the Group has decided to scale-down the business in financial leasing in the PRC. For the six months ended 30 June 2020, the operation of this segment recorded a revenue of approximately HK\$0.4 million (six months ended 30 June 2019: approximately HK\$0.1 million).

The Group operates its financial leasing business through its indirectly wholly-owned subsidiary, Solomon International Leasing (Tianjin) Company Limited*, 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.

After the unexpected shock from the COVID-19 outbreak and under the unpredictable America/China relationship, the financial leasing industry in the PRC for the six months ended 30 June 2020 has shown two different signs. On one side, there was a higher default rate. But on the other side, there was an increasing demand for such financial services. After carefully reviewing the Group's strategic position in this segment, including the limited resources available to expand or maintain the Group's competitive advantages, the management has decided to scale-down this segment. As at 30 June 2020, the total money value of leasing amounts was approximately HK\$4.2 million (30 June 2019: approximately HK\$5.8 million).

Money lending in Hong Kong

For the six months ended 30 June 2020, the Group has decided to scale-down the business in money lending in Hong Kong, with a focus on monitoring and managing existing loan portfolio without expansion. For the six months ended 30 June 2020, the operation of this segment recorded nil revenue (six months ended 30 June 2019: nil).

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. Main customers of this segment include high-value clients and listed companies in Hong Kong.

Since the COVID-19 outbreak commenced in early 2020, the Hong Kong economy has been decreasing at the sharpest rate in over one decade. Under the doom of a political uncertainty and an economic recession, the management believed that the credit risks of most potential customers of this business segment have surpassed the acceptable levels to the Group. 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

For the six months ended 30 June 2020, the Group has decided to terminate the business in the research and development in real time 2D-3D conversion display products, by a disposal.

This business was acquired by the Group in January 2019. As it 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 this business, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan. Therefore, the Company is of the view that this business' full potential may take a longer time to realize than the Company's original expectation. Hence, the Company decided to exit from this business via a disposal, which was completed in June 2020. Given the relatively small size of this business, the disposal had no material impact on the operations and financials of the Group as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Nevertheless, the Company wishes to keep an option to re-enter into this business sector by successfully negotiating with the purchaser that the Company will have a buy-back right to repurchase this business within one year and at an acceptable repurchase price. As at this stage, the Company has no intention to exercise the repurchase option.

Aircraft business management and luxury yacht management

For the six months ended 30 June 2020, the business in aircraft business management and luxury yacht management recorded a stable performance, with a revenue of approximately HK\$22.5 million (six months ended 30 June 2019: approximately HK\$5.9 million).

Services provided by the business in aircraft business management and luxury yacht management mainly include (i) luxury yacht sales agent, leasing and trading; and (ii) jet business management, aircraft sales service and pilot training service. This business is performed by International Business Aviation (Hong Kong) Limited (香港國際公務航空有限公司) (“**IBA**”), a wholly-owned subsidiary of the Company. IBA is also in the process of negotiating with certain potential customers in respect of aircraft leasing. With the efforts of the management team of IBA, the business in aircraft business management and luxury yacht management recorded a smooth and improving performance. 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.

Currently, IBA has been providing aircraft management services to three business aircrafts registered with the US Federal Aviation Administration. These three aircrafts are mainly operated to serve business clients to and from the PRC. But the Group is now only licensed to carry out aircraft management business but is not allowed to operate charter flight for members of the public. Although the Group has identified certain PRC corporates and individuals who may have demand in chartering services, no business opportunities are materialized given the licensing restriction. Given that (i) additional costs and time would be required for the application for the relevant license; and (ii) the outcome of such application would be uncertain, the Group would like to expand a platform for the Group to utilize the potential business opportunity. In February 2020, the Company announced a possible acquisition of 20.2% equity interest in Red Power Developments Limited, partially because that one subsidiary of the target company is a recognized operator qualified to apply for permission for scheduled flights (including the right to use the airport, clearance for taking off and landing and related airport ground services) on behalf of foreign operators. As at the date of this report, the acquisition has not been completed.

Investment holding

As at 30 June 2020, the Group had the following investments:

- (i) 23,000,000 unlisted shares of Cornerstone Securities Limited (“**Cornerstone Securities**”), representing approximately 8.81% of the entire issued capital of 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.
- (ii) 15,000,000 listed shares of Imperial Pacific International Holdings Limited (“**Imperial Pacific**”), representing 0.01% of the issued shares of 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.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, no acquisition or disposal of the abovementioned investments were conducted. For the six months ended 30 June 2020, no dividend in relation to the abovementioned investments were received or claimed.

Other businesses to be acquired

(i) Proposed 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. Upon completion of the acquisition, 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 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.

(ii) Proposed 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. Upon completion, (i) Imperial Pacific will no longer owe any material debt to the Group; (ii) Ideal Best will become a direct wholly owned subsidiary of the Company; and (iii) the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

As at the date of this 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.

BUSINESS OUTLOOK

Notwithstanding the generally stable performance of the Group for the six months ended 30 June 2020, the management of the Group is conservative, if not negative, on the prospects in the late half of the year 2020. In light of (i) the never-ending COVID-19 outbreak and its unprecedented and profound impact on the economy, business, financial and emotion of the world; (ii) the overheating America/China conflicts; and (iii) downward sliding economy in Hong Kong and a dim hope of a full recovery, the management believed that the future business environment will remain harsh, challenging and full of uncertainties.

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

Given that the management has decided to terminate this business segment, the existing focus is placed to recover outstanding trade receivables. The management expects that this business segment will fully cease operation by the end of 2020.

Financial leasing in the PRC and money lending in Hong Kong

No material expansion of these businesses is likely in the existing business environment. The strategic focus will be placed to monitor the recoverability of the financial leases and loans granted before.

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

Although this business segment has been disposed of, the Group reserved an option to re-enter into this industry by exercising a repurchase option. However, as at the date of this report, the Company has no intention to exercise the repurchase option.

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 it will broaden the Group's revenue source and bring better return to the Company.

Investment holding

With uncertainty over international trade and longer-term global economic and financial trends, the management will maintain a cautious and prudence approach for exploring any new investment opportunities to enhance shareholder's value.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group achieved a revenue of approximately HK\$35.3 million (six months ended 30 June 2019: approximately HK\$20.4 million). 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, the financial leasing in the PRC and the money lending in Hong Kong, had experienced a hard business environment and a sharp operation downsize, and therefore recorded a minimal revenue for the six months ended 30 June 2020.

Operating expenses

Operating expenses amounted to approximately HK\$22.9 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$20.5 million). Such increase was mainly due to increase in material costs, staff salaries and administrative costs.

Loss for the period

For the six months ended 30 June 2020, loss for the period attributable to owners of the parent was approximately HK\$1.2 million (six months ended 30 June 2019: approximately HK\$8.7 million). The decrease in loss was mainly attributable to the gain on disposal of subsidiaries of an amount approximately HK\$4.4 million. Basic loss per share attributable to ordinary equity holders of the parent was approximately HK\$0.35 cents (six months ended 30 June 2019: approximately HK\$2.58 cents).

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2020, the Group had no fund-raising activities.

As at 30 June 2020, the cash and cash equivalents of the Group amounted to approximately HK\$9.6 million (31 December 2019: approximately HK\$8.5 million). As at 30 June 2020, the Group had no outstanding bank loan and no financing cost was incurred for the six months ended 30 June 2020 (31 December 2019: 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 33.1% as at 30 June 2020 (31 December 2019: approximately 41.8%). The Group did not have any debt financing during the period, and no finance cost was incurred.

FOREIGN CURRENCY EXPOSURE

The Group's results were exposed to exchange fluctuations of Renminbi as the Group 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 six months ended 30 June 2020, there was no change to the authorized share capital of the Group.

As at 30 June 2020, the Group had no bank borrowings (31 December 2019: nil). As at 30 June 2020, the shareholders' fund amounted to approximately HK\$94.6 million (31 December 2019: approximately HK\$96.5 million).



MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2020, the Group did not have any pledge of assets (30 June 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2020, the Company also announced two acquisitions, including (i) a possible acquisition of 20.2% equity interest in Red Power Developments Limited, a company which is mainly engaged in aviation services; and (ii) a possible acquisition of the entire equity interest and shareholder loan of Ideal Best Limited, a company which holds an interest in a Saipan property. For more information of these two acquisitions, please refer to the section headed “Other businesses to be acquired” in this management discussion and analysis.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures of the Company for the six months ended 30 June 2020.

MATERIAL COMMITMENT

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.

As at 30 June 2020, the gross value of outstanding consideration payable under the lease agreement by the Company amounted to approximately HK\$9.3 million.

TRANSACTIONS AFTER THE REPORTING PERIOD

Save as disclosed, there was no other significant event after the reporting period and up to the date of this report.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2020 (30 June 2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had approximately 54 employees (31 December 2019: 74 employees). For the six months ended 30 June 2020, total employee benefits expenses, including Directors’ emoluments, amounted to approximately HK\$9.6 million (31 December 2019: HK\$24.1 million). 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 2019.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2020, the Company has complied with the principles as set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (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. Before that Mr. Xu Beinan was appointed as the executive Director and the chief executive officer of the Company on 14 April 2020 and after that Mr. Xu Beinan resigned as the executive Director and the chief executive officer of the Company on 14 August 2020, the Company has not appointed a chief executive officer. For these concerned periods, 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. Three executive Directors and one independent non-executive Director were unable to attend the annual general meeting of the Company held on 22 June 2020 after considering the quarantine measures adopted by the Governments for the COVID-19 outbreak. Nevertheless, other members of the Board attended this meeting to ensure effective communication with the shareholders of the Company.
- (iv) Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. After considering the quarantine measures adopted by the Governments for the COVID-19 outbreak, Mr. Yang Lin, chairman of the Board, did not attend the annual general meeting of the Company held on 22 June 2020. However, other members of the Board (including executive Directors and non-executive Director) attended the 2020 AGM to ensure effective communication with the shareholders of the Company.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.



OTHER INFORMATION

NON-COMPLIANCE WITH THE RULES 3.10(1), 3.10(2), 3.10A AND 3.21 OF THE LISTING RULES

On 8 June 2020, Mr. Lee Man To and Ms. Choi Yee Man resigned as independent non-executive Directors. Following their resignation, the Company failed to meet the requirement under (i) the Rule 3.10(1) of the Listing Rules, which requires the Board to have at least three independent non-executive Directors; (ii) the Rule 3.10(2) of the Listing Rules, which requires at least one of the independent non-executive Directors to have appropriate professional qualifications or accounting or related financial management expertise; (iii) the Rule 3.10A of the Listing Rules, which requires the independent non-executive Directors to constitute at least one-third of the Board; and (iv) the Rule 3.21 of the Listing Rules, which requires the Audit Committee to have at least three members and a chairman.

On 23 June 2020, Ms. Ching Ching was appointed as an independent non-executive Director, the chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee. On 17 July 2020, Ms. Weng Yuzhen was appointed as an independent non-executive Director, and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Thereafter, the Company has complied with the Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

CHANGE OF DIRECTORS

From 1 January 2020 to the date of this report:

- (i) Mr. Liu Shixia has resigned as an executive Director on 14 April 2020;
- (ii) Mr. Xu Beinan has been appointed as an executive Director and the chief executive officer of the Company on 14 April 2020;
- (iii) Mr. Lee Man To has resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee on 8 June 2020;
- (iv) Ms. Choi Yee Man has resigned as an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee on 8 June 2020;
- (v) Ms. Ching Ching has been appointed as an independent non-executive Director, the chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee on 23 June 2020;
- (vi) Ms. Weng Yuzhen has been appointed as an independent non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 17 July 2020;
- (vii) Mr. Xu Beinan has resigned as an executive Director and the chief executive officer of the Company on 14 August 2020; and
- (viii) Ms. Li Wei Na has been appointed as an executive Director on 14 August 2020.

CHANGES IN INFORMATION OF THE DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, and save as disclosed, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2020.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the “**SFO**”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2020, 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:

Name of shareholders	Capacity	Number of ordinary shares/Percentage of total issued shares as at 30 June 2020 (Note 1)						Note
		Long positions	%	Short positions	%	Lending pool	%	
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)



OTHER INFORMATION

Notes:

- (1) Based on 336,587,142 ordinary shares of the Company in issue as at 30 June 2020.
- (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. No updates on the disclosure of interests by Mosel Vitelic Inc. or Vision2000 Venture Ltd. have been notified thereafter.

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

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, 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.

AUDIT COMMITTEE

The Audit Committee of the Company comprises solely independent non-executive directors, namely Ms. Ching Ching (chairman), Ms. Weng Yuzhen and Dr. Zhang Shengdong. The Group's interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2020 (Unaudited) HK\$' 000	2019 (Unaudited) HK\$' 000
REVENUE	4	35,332	20,385
Cost of sales		(23,654)	(12,537)
Gross profit		11,678	7,848
Other income and gains, net	5	11,172	3,141
Distribution costs		(212)	(316)
General and administrative expenses		(22,894)	(20,467)
Interest on lease liabilities		(326)	(183)
LOSS BEFORE TAX	6	(582)	(9,977)
Income tax (expense)/credit	7	(661)	325
LOSS FOR THE PERIOD		(1,243)	(9,652)
Attributable To:			
Owners of the Parent		(1,185)	(8,692)
Non-controlling interests		(58)	(960)
		(1,243)	(9,652)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	(0.35)	(2.58)
Dividends	9	-	-

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
LOSS FOR THE PERIOD	<u>(1,243)</u>	<u>(9,652)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(544)</u>	<u>344</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(544)</u>	<u>344</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(1,787)</u>	<u>(9,308)</u>
Attributable to:		
Owners of the parent	<u>(1,729)</u>	<u>(8,348)</u>
Non-controlling interests	<u>(58)</u>	<u>(960)</u>
	<u>(1,787)</u>	<u>(9,308)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
NON-CURRENT ASSETS			
Property, plant, and equipment	10	3,292	4,038
Intangible assets	19	–	2,087
Deferred tax assets		596	607
Equity investment designated at fair value through other comprehensive income	11	23,100	23,100
Right-of use assets		10,299	16,557
Long-term deposits		3,332	3,335
Total non-current assets		40,619	49,724
CURRENT ASSETS			
Inventories		4,614	12,432
Trade and bills receivables	12	52,470	54,299
Finance leases receivables		4,248	5,668
Deposits, prepayments and other receivables	13	14,609	13,836
Loans receivables	14	14,560	18,667
Finance assets at fair value through profit or loss	15	555	1,545
Tax recoverable		153	156
Cash and cash equivalents		9,584	8,516
Total current assets		100,793	115,119
CURRENT LIABILITIES			
Account payables	16	29,956	27,938
Lease liability		10,866	12,466
Other payables and accruals	17	3,795	22,230
Tax payables		1,636	661
Total current liabilities		46,253	63,295
NET CURRENT ASSETS		54,540	51,824
TOTAL ASSETS LESS CURRENT LIABILITIES		95,159	101,548
NON-CURRENT LIABILITIES			
Lease liability		553	5,637
NET ASSETS		94,606	95,911
CAPITAL AND RESERVES			
Equity attributable to owners of parent			
Share capital	18	134,922	134,922
Other reserves		(3,290)	(2,589)
Accumulated loss		(37,026)	(35,841)
Non-controlling interests		–	(581)
Total equity		94,606	95,911

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent				Non-controlling interests HK\$' 000	Total equity HK\$' 000
	Share capital	Other reserves	Retained earnings	Subtotal		
	(Unaudited) HK\$' 000	(Unaudited) HK\$' 000 (Note 22)	(Unaudited) HK\$' 000	(Unaudited) HK\$' 000		
Balance at 1 January 2019	134,922	(1,796)	(14,778)	118,348	-	118,348
Loss for the period	-	-	(8,692)	(8,692)	(960)	(9,652)
Other comprehensive loss						
Exchange differences on translation	-	344	-	344	-	344
Total comprehensive loss for the period	-	344	(8,692)	(8,348)	-	(8,348)
Balance at 30 June 2019	134,922	(1,452)	(23,470)	110,000	-	110,000
Balance at 1 January 2020	134,922	(2,589)	(35,841)	96,492	(581)	95,911
Loss for the period	-	-	(1,185)	(1,185)	(58)	(1,243)
Other comprehensive loss for the period:						
Exchange differences on translation	-	(544)	-	(544)	-	(544)
Total comprehensive loss for the period	-	(544)	(1,185)	(1,729)	(58)	(1,787)
Disposal of subsidiaries	-	(157)	-	(157)	639	482
Balance at 30 June 2020	134,922	(3,659)	(36,657)	94,606	-	94,606

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Net cash generated from/(used in) operating activities	5,227	(14,215)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	–	(3,525)
Purchase of investments at fair value through profits or loss	–	(2,325)
Purchase of items of property, plant and equipment	–	(36)
Proceeds from disposals of financial assets at fair value through other comprehensive income	–	1,360
Net proceeds from disposal of subsidiaries	1,726	–
Interests received	19	768
Net cash generated from/(used in) investing activities	1,745	(4,408)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	(5,800)	–
Distribution to non-controlling shareholders	(58)	–
Net cash used in financing activities	(5,858)	–
Net increase/(decrease) in cash and cash equivalents	1,114	(10,813)
Cash and cash equivalents at 1 January	8,516	25,601
Effect of foreign exchange rate changes, net	(46)	(12)
Cash and cash equivalents at 30 June	9,584	15,132

1. CORPORATE INFORMATION

PacRay International Holdings Limited (the “**Company**”) was incorporated in Bermuda as an investment holding company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of its principal place of business is 28th Floor of 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 period, the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the People’s Republic of China (the “**PRC**”), Hong Kong and Taiwan; aircraft business management; financial leasing in the PRC and investments holding.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2019, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

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

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The adoption of the amendments to HKFRS does not have a material impact on the Group’s interim condensed consolidated financial information.

3. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

4. SEGMENT INFORMATION

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

- (i) design and sales of integrated circuits used in industrial and household measuring tools and display products;
- (ii) aircraft business management services;
- (iii) provision of finance lease services;
- (iv) sales and distribution of construction materials; and
- (v) corporate administration and investment functions performed by the Hong Kong headquarters.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits (Unaudited) HK\$' 000	Aircraft business management (Unaudited) HK\$' 000	Finance lease (Unaudited) HK\$' 000	Headquarter (Unaudited) HK\$' 000	Total (Unaudited) HK\$' 000
For the six months ended 30 June 2020					
Revenues from external customers	12,512	22,453	367	-	35,332
Operating profit/(loss)	1,353	3,951	(3,000)	(3,224)	(920)
Interest income	16	1	1	320	338
Profit/(loss) before income tax	1,369	3,952	(2,999)	(2,904)	(582)
Income tax credit/(expense)	40	(701)	-	-	(661)
Profit/(loss) for the period	1,409	3,251	(2,999)	(2,904)	(1,243)
Other segment information:					
Other (losses)/gains – net, included in results for the period	67	35	4	6,695	6,801
Depreciation and amortisation, included in the results for the period	369	-	9	101	479
As at 30 June 2020					
Segment assets	21,594	49,701	12,004	58,113	141,412
Segment liabilities	2,128	33,019	157	11,502	46,806

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits (Unaudited) HK\$' 000	Aircraft business management (Unaudited) HK\$' 000	Sales and distribution of construction materials (Unaudited) HK\$' 000	Headquarter (Unaudited) HK\$' 000	Others (Unaudited) HK\$' 000	Total (Unaudited) HK\$' 000
For the six months ended 30 June 2019						
Revenues from external customers	13,998	5,862	-	-	525	20,385
Operating profit/(loss)	1,447	2,847	-	(8,255)	(6,707)	(10,668)
Interest income	-	1	-	690	-	691
Profit/(loss) before income tax	1,447	2,848	-	(7,565)	(6,707)	(9,977)
Income tax expense	325	-	-	-	-	325
Profit/(loss) for the period	1,772	2,848	-	(7,565)	(6,707)	(9,652)
Other segment information:						
Other (losses)/gains – net, included in results for the period	56	2,325	-	(5)	74	2,450
Depreciation and amortisation, included in the results for the period	433	-	-	21	100	554
Capital expenditures	214	-	-	19	-	233
As at 30 June 2019						
Segment assets	20,187	7,345	25,210	103,792	(361)	156,173
Segment liabilities	1,190	3,332	63	22,880	18,708	46,173

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2020 (Unaudited) HK\$' 000	2019 (Unaudited) HK\$' 000
Interest income	338	691
Sundry income	1,047	130
Management fee income	5,986	–
Government subsidies	416	–
Gain on disposal of subsidiaries*	4,371	–
Fair value (losses)/gains of financial assets at fair value through profit or loss	(990)	2,325
Exchange gains/(losses), net	4	(5)
	11,172	3,141

* Gain on disposal of subsidiaries is mainly derived from the disposal of the business in the research and development in real time 2D-3D conversion display products which was completed in June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Cost of inventories sold*	6,165	7,404
Depreciation of property, plant and equipment	479	544
Depreciation of right-of-use assets	5,283	1,889
Employee benefit expenses (including directors' remuneration)#:		
Salaries, allowances and benefits in kind	9,560	7,929
Pension scheme contributions	455	857
	10,015	8,786
Research and development costs	–	117
Interest income	(338)	(691)
Impairment losses of finance lease receivable##	1,316	–
Impairment losses of trade receivable##	357	–
Impairment losses of loan receivable##	2,214	–
Impairment losses of financial assets included in deposits, prepayments and other receivables##	340	–
Gains on disposal of investments at fair value through profit or loss	–	5
Gain on disposal subsidiaries	(4,371)	–
Fair value losses/(gains) investments at fair value through profit or loss	990	(2,325)

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

The employee benefit expense of HK\$2,243,000 for the period included in "cost of sales".

Included in "General and administrative expenses" on the face of condensed consolidated interim statement of profit or loss.

7. INCOME TAX EXPENSE/(CREDIT)

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 for the six months ended 30 June 2020. (Six months ended 30 June 2019: No provision for Hong Kong profits tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the period, except for one of the subsidiaries has available tax losses brought forward from prior years to offset the assessable profits generated during the period.) Shanghai SyncMOS was registered as a New and High Technology Enterprise during the year ended 31 December 2019 and is subjected to a preferential Corporate Income Tax (“CIT”) rate of 15% (2019: 15%).

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Current – Hong Kong	701	–
– Mainland China	–	91
Over-provision in prior year – Mainland China	(40)	(416)
Total tax charge/(credit) for the period	661	(325)

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

(a) Basic

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

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Loss attributable to ordinary equity holders of the parent	<u>(1,185)</u>	<u>(8,692)</u>
	Number of shares	
	For the six months ended 30 June	
	2020	2019
	' 000	' 000
Weighted average number of ordinary shares in issue	<u>336,587</u>	<u>336,587</u>
	HK cents	HK cents
Basic loss per share	<u>(0.35)</u>	<u>(2.58)</u>

(b) Diluted

The Company has not issued any potentially dilutive ordinary shares during the period ended 30 June 2020 and 2019.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2020, the Group acquired assets with total cost of nil (six months ended 30 June 2019: HK\$0.2 million).

11. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Unlisted equity investment		
Cornerstone Securities Limited	23,100	23,100

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

12. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Trade receivables	50,175	51,682
Less: Impairment	(530)	(173)
	49,645	51,509
Bills receivables	2,825	2,790
Trade and bills receivables	52,470	54,299

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 date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Within 1 month	2,600	5,967
More than 1 month but less than 3 months	7,869	14,931
More than 3 months	39,176	30,611
	49,645	51,509

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables *(Continued)*

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

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
At beginning of period	173	2,465
Impairment/(reversal of) losses, net	357	(2,292)
At end of period	530	173

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:

	Current		Past due				Total	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	1 to 3 months 30 June 2020 (Unaudited)	31 December 2019 (Audited)	Over 3 months 30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Expected credit loss rate	1.65%	0.63%	1.73%	0.52%	0.88%	0.19%	1.06%	0.34%
Gross carrying amount (HK\$' 000)	2,644	6,005	8,008	15,008	39,523	30,669	50,175	51,682
Expected credit losses (HK\$' 000)	44	38	139	77	347	58	530	173

12. TRADE AND BILLS RECEIVABLES *(Continued)*
Bills receivables

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

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Within 1 month	1,338	1,101
More than 1 month but less than 3 months	373	894
More than 3 months but less than 6 months	1,114	795
	2,825	2,790

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Deposits and other receivables	14,994	7,369
Prepayments	3,287	9,802
	18,281	17,171
Impairment allowance	(340)	–
	17,941	17,171
Less: non-current portion – long-term deposits	(3,332)	(3,335)
Current portion	14,609	13,836

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. LOANS RECEIVABLES

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Loans receivables, unsecured	16,812	18,705
Less: Impairment	(2,252)	(38)
	14,560	18,667

The Group's loans receivables are stated at amortised cost and bear fixed interest rates at 5% and 10%. The credit term of these loans receivables is 12 months.

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

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
At beginning of period	38	3,500
Impairment losses/(reversal of impairment)	2,214	(3,462)
At end of period	2,252	38

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.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Listed equity investments, at market value		
Imperial Pacific International Holdings Limited	<u>555</u>	<u>1,545</u>

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

16. ACCOUNT PAYABLES

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

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Within 1 month	3,263	3,167
More than 1 month but less than 3 months	2,352	–
More than 3 months	<u>24,341</u>	<u>24,771</u>
	<u>29,956</u>	<u>27,938</u>

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

17. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited) HK\$' 000	31 December 2019 (Audited) HK\$' 000
Accrued staff benefits	2,336	4,690
Accrued professional fees	309	1,479
Contract liabilities	69	440
Other payables	1,081	15,621
	3,795	22,230

18. SHARE CAPITAL

	Number of shares ' 000	Ordinary shares HK\$' 000	Share premium HK\$' 000	Total share capital HK\$' 000
At 1 January 2019, 31 December 2019 and 30 June 2020	<u>336,587</u>	<u>33,659</u>	<u>101,263</u>	<u>134,922</u>

The total authorised number of ordinary shares is 1,000 million shares (2019: 1,000 million shares) with a par value of HK\$0.1 per share (2019: HK\$0.1 per share). All issued shares are fully paid.

19. 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	–	2,190	2,190
Exchange realignment	–	(103)	(103)
	<u>–</u>	<u>2,087</u>	<u>2,087</u>
At 31 December 2019	<u>–</u>	<u>2,087</u>	<u>2,087</u>
Cost	5,005	2,087	7,092
Accumulated amortisation	<u>(5,005)</u>	<u>–</u>	<u>(5,005)</u>
Net carrying amount	<u>–</u>	<u>2,087</u>	<u>2,087</u>

20. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated interim financial information, the Group entered into the following material transactions with related parties during the period ended 30 June 2020.

Key management compensation

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

	For the six months ended 30 June 2020 (Unaudited) HK\$' 000	2019 (Unaudited) HK\$' 000
Basic salaries and allowances	<u>2,079</u>	<u>918</u>

21. 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 as disclosed in note 11 and 15 to the condensed consolidated financial information, all financial assets and liabilities of the Group as at 30 June 2020 and 31 December 2019 were financial assets 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 are 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.

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

Fair value hierarchy

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

	Fair value measurement			Total HK\$'000
	Quoted prices in active markets Level 1 HK\$'000	Significant observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	
At 30 June 2020 (Unaudited)				
Equity investments designated at fair value through other comprehensive income	-	-	23,100	23,100
Financial assets at fair value through profit or loss	555	-	-	555
	<u>555</u>	<u>-</u>	<u>23,100</u>	<u>23,655</u>
At 31 December 2019 (Audited)				
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
	<u>1,545</u>	<u>-</u>	<u>23,100</u>	<u>24,645</u>

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

Fair value hierarchy *(Continued)*

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

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

22. EVENTS AFTER THE REPORTING PERIOD

(i) Proposed 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. Upon completion of the acquisition, 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 announcement, the acquisition underlying the Investment in Red Power has not been completed, and the Company will make further announcement(s) as and when appropriate.

22. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(ii) Proposed 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. Upon completion, (i) Imperial Pacific will no longer owe any material debt to the Group; (ii) Ideal Best will become a direct wholly owned subsidiary of the Company; and (iii) the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group.

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

23. COMPARATIVE AMOUNTS

Certain comparative amounts have been represented to conform to the current period’s presentation and disclosures.

24. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorized for issue by the Board on 28 August 2020.