



太 睿 國 際 控 股 有 限 公 司
PacRay International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 1010

A large, abstract digital graphic in shades of blue and white. It features a central circular structure with concentric rings and a grid-like pattern, resembling a stylized globe or a complex data visualization. The graphic is set against a background of glowing blue lines and dots, creating a sense of motion and technology.

INTERIM REPORT
2021

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BOARD OF DIRECTORS

Executive Directors

Mr. Duan Hongtao (*Chairman*) ^{Note 1}
Ms. Li Weina
Ms. Liu Wenjia ^{Note 2}
Mr. Xu Yinsheng
Mr. Zhang Fumin ^{Note 3}
Mr. Yang Lin ^{Note 4}
Mr. Leung Pok Man ^{Note 5}
Ms. Lau Mei Ying ^{Note 6}

Non-executive Director

Mr. Zhou Danqing

Independent Non-executive Directors

Ms. Ching Ching
Dr. Song Donglin ^{Note 8}
Dr. Zhang Shengdong
Ms. Weng Yuzhen ^{Note 9}

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching (*Chairman*)
Dr. Song Donglin ^{Note 8}
Dr. Zhang Shengdong
Ms. Weng Yuzhen ^{Note 9}

Remuneration Committee

Dr. Song Donglin (*Chairman*) ^{Note 8}
Ms. Ching Ching ^{Note 7}
Dr. Zhang Shengdong
Ms. Weng Yuzhen ^{Note 9}

Nomination Committee

Dr. Song Donglin (*Chairman*) ^{Note 8}
Ms. Ching Ching ^{Note 7}
Dr. Zhang Shengdong
Ms. Weng Yuzhen ^{Note 9}

Notes:

1. Appointed as an executive Director on 16 April 2021 and the chairman of the Board on 10 May 2021
2. Appointed on 23 July 2021
3. Appointed on 16 April 2021
4. Resigned as the chairman of the Board on 6 May 2021 and an executive Director on 28 May 2021
5. Resigned on 15 April 2021
6. Resigned on 15 April 2021
7. Resigned as the chairman of the Remuneration Committee and the Nomination Committee on 15 April 2021
8. Appointed as an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee on 15 April 2021
9. Resigned on 15 April 2021

COMPANY SECRETARY

Mr. Zhou Danqing

STOCK CODE

1010

WEBSITE

<http://pacray.com.hk>

AUDITOR

Zenith CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
Dah Sing Bank, 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

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group has been principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) aviation business; (iii) yacht business; (iv) property investment; (v) security investment; and (vi) financial leasing services.

The business environment for the six months ended 30 June 2021 remained challenging, as there was no indication that the economy could fully recover from the severe and long-lasting impacts of the COVID-19 pandemic in the short term. Certain businesses of the Group, such as the property investment, the security investment and the financial leasing services, are economically sensitive and therefore recorded a low performance. On the other hand, the design and sales of integrated circuits and semi-conductor parts businesses managed to secure sales orders by pursuing a cost efficiency strategy and therefore recorded an improving performance. Also, the aviation business which focused on a niche market and delivered customer-tailored services strived to record a growth in business size, but witnessed a fall in gross profit margin due to the competing pressure. Finally, the yacht business is undertaking an expansion strategy. As at the date of this report, the management regarded the yacht business with a high strategic position, and was conducting strategic deployment in relevant areas of yacht agency and/or yacht sales businesses. When assessed as a combination, the performance of the Group remained resilient for the six months ended 30 June 2021.

Given the complexity and unpredictability of the business environment, the management maintained a continuous monitoring on the business portfolio of the Group, mainly on the basis of long-term profitability. Objectives of the management were (i) to maintain the core business that can create a reliable return and has competitive advantages; (ii) to exit from the business that has not meet expectations or may require further input from the Group; and (iii) to continuously seek opportunities that enhance the Group's revenue bases and profit-making abilities.

For the six months ended 30 June 2021, a noticeable strategic movement of the Group was to deploy additional resources to reinforce its existing yacht business pursuant to the sales agency framework cooperation agreement entered into between the Group and Liaoning Jinlong Super Yacht Manufacturing Co., Ltd.* (遼寧錦龍超級遊艇製造有限公司) ("**Jinlong**") in 2019, after carefully studying the opportunities in the yacht market. For this purpose, the Group has established a subsidiary named Balk Megayacht (Hainan) Co., Ltd. ("**Balk Megayacht**") in mainland China. Since its incorporation, Balk Megayacht has been in business negotiations with several potential clients on sales terms to formulate formal agreements for yacht sales.

For the six months ended 30 June 2021, the Group ceased the expansion of its financial leasing service business in mainland China and money lending business in Hong Kong after considering the harsh business environment and the uncertainty contained therein. No new service agreement was entered into by the Group in these business segments, and in particular, the money lending business in Hong Kong had a minimal operation and loan portfolio. For such declining businesses, the management has directed their efforts into recovering previous lease receivables and loan receivables. Thereafter, the Group will keep an on-going monitoring on these businesses and would not rule out the possibility of termination, unless a valuable opportunity arises.

Taking into account the harsh business environment, the management was of the view that the relatively stable performance of the Group for the six months ended 30 June 2021 indicated that re-organization of the Group's businesses portfolio is a promising strategy. Nevertheless, the management will consistently maintain, enhance and create competitive advantages of the Group's existing businesses. Such measures include but not limited to cost control on the business of integrated circuits and semi-conductor parts, platform building on the business of aviation business and active marketing and branding in the yacht business.

MANAGEMENT DISCUSSION AND ANALYSIS

The management would like to emphasize that the process of reforming the Group's business portfolio was a continuous and on-going process. New measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the then opportunities. Should there be any update, the Company will inform its shareholders as soon as appropriate.

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

For the six months ended 30 June 2021, design and sales of integrated circuit and semi-conductor parts recorded an improving performance and remained as one of the core businesses of the Group. The Group acquired raw materials, such as integrated circuit and semi-conductor related parts, from external suppliers and relied on internet technology and related equipment for the design of related products before sourcing out to external sub-contractors for production. The Group did not involve in any internal manufacturing processes in the course of business.

The Group had mainly two types of products in the design and sales of integrated circuit and semi-conductor parts business: caliper and microcontroller unit ("MCU"). For the six months ended 30 June 2021, the total product mix between caliper and MCU remained relatively stable, approximately 76% (six months ended 30 June 2020: 66%) and 24% (six months ended 30 June 2020: 34%) of the revenue was generated from the caliper and MCU respectively.

For the six months ended 30 June 2021, operation of this segment recorded (i) a revenue of approximately HK\$20.1 million (six months ended 30 June 2020: approximately HK\$12.5 million); and (ii) a gross profit of approximately HK\$12.6 million (six months ended 30 June 2020: approximately HK\$6.3 million). For the six months ended 30 June 2021, the management noticed that competition in the integrated circuit market remained highly intensive, due to technology advancement, incremental costs and customers' changing demands. In particular, the cost of raw materials and labor showed no sign of decreasing, which led to more pressures on profit margin.

Aviation business

For the six months ended 30 June 2021, the business in aviation business management recorded a relatively stable performance and became one of the core businesses of the Group. Services provided by the Group in aviation business management mainly included jet business management, aircraft sales service and pilot training service. The main revenue comprised of business aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee, etc.

For the six months ended 30 June 2021, operation of this segment recorded a revenue of approximately HK\$33.3 million (six months ended 30 June 2020: approximately HK\$22.4 million). The management in the aircraft business adopted a customer-orientation strategy, including the promotion of services to specific customer groups (such as high-valued individuals or cooperation which requires aircraft services) and delivery of tailored services (such as flexible aircraft schedules, carbine services and airport ground services). The management in this segment would focus on improving the service quality, as well as expanding the service categories, with an aim to build up competitive advantages to tackle with external competitions.

Yacht business

The yacht business of the Group commenced since the entering of sales agency framework cooperation agreement between the Company and Jinlong in 2019, according to which the Company intended to be a non-exclusive agent of the yacht products of Jinlong to sell 46-meter super yachts and 110-inch catamaran yachts. In late 2020, the Company noticed a positive trend in the yacht market, especially under the consideration that (i) the yacht consumption or investment was getting more recognition among the affluent class; (ii) construction of the relevant facilities, such as yacht harbor and yacht club, had made yacht consumption more feasible and appealing; and (iii) customers had preference to well-branded yachts with world-wide presence, which offered more opportunities to the Group. As such, the management were of the view that it would be beneficial for the Group to deploy additional resources to reinforce its existing yacht business.

As most of the business activities of the yacht business were related to feasibility study and opportunity solicitation for the six months ended 30 June 2021, the operation of this segment recorded a minimal revenue of approximately HK\$0.7 million (six months ended 30 June 2020: approximately HK\$0.1 million) which was mainly derived from yacht management business. Nevertheless, the management was positive about the long-term potential of this segment. The management has placed the yacht business at a high strategic position, including strategically deploying resources in relevant areas of yacht agency and/or yacht sales businesses. At present, the management intended to adopt an organic expansion strategy, via recruiting an experienced workforce and purchasing related facilities. Short-term objectives included increasing the scale of operations to achieve economy of scale and broadening of the Group's yacht offering to meet customer demand. On the other hand, the management would consistently and closely monitor the performance of the yacht business to formulate an accessible and profitable long-term strategy. Also, the management expected to explore further opportunities in the yacht industry and believed that it could broaden the income sources of the Group and create better returns for the shareholders of the Company.

Property investment

The Group possessed a property investment in Saipan. Ideal Best Limited, a wholly-owned subsidiary of the Company, indirectly holds the leasehold interest in a land parcel with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of the Saipan property was approximately 1,953 square meters within six apartment buildings containing a total of 31 apartment units. According to a valuation prepared by an independent professional valuer, the Saipan property had a value of US\$4.5 million (equivalent to approximately HK\$34.9 million) as at 31 December 2020. The Saipan property constituted the sole investment of the Group's property investment.

For the six months ended 30 June 2021, the local economy in Saipan was not promising due to severe impact of the COVID-19 pandemic. In particular, the tourism industry, a pillar of the local economy, was interrupted by local quarantine policies and public health concerns. As the performances of the property markets were highly correlated to the economic activities, no revenue was recorded in the period ended 30 June 2021. As the local property market in Saipan was inactive, the management adopted a passive investment strategy for this business segment for the six months ended 30 June 2021. If there is a recovery in the Saipan economy, the Group would consider and explore different options in realizing the investment potential of the Saipan property, such as through leasing or sales.

Security investment

As at 30 June 2021, 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 held licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and was principally engaged in security dealing business in Hong Kong.

For the six months ended 30 June 2021, (i) no acquisition or disposal of the investment in Cornerstone Securities was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities was received or claimed.

The Group intended to hold the investment in Cornerstone Securities as a passive and long-term investment, and did not plan for active trading as at 30 June 2021.

- (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 was listed on The Stock Exchange of Hong Kong Limited (stock code: 1076), and was 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.

For the six months ended 30 June 2021, (i) no acquisition or disposal of the investment in Imperial Pacific was conducted; and (ii) no dividend in relation to the investment in Imperial Pacific was received or claimed. As at 30 June 2021, the investment in Imperial Pacific had a fair value of approximately HK\$0.2 million (31 December 2020: approximately HK\$0.2 million).

The Group intended to hold the investment in Imperial Pacific as a passive and long-term investment, and did not plan for active trading as at 30 June 2021.

- (iii) 202 unlisted shares of Red Power Developments Limited (“**Red Power**”), representing 20.2% of the entire issued capital of Red Power. Red Power was a company incorporated in the British Virgin Islands with limited liability. Through its subsidiaries, it was principally engaged in aviation management business.

For the six months ended 30 June 2021, (i) no acquisition or disposal of the investment in Red Power was conducted; and (ii) no dividend in relation to the investment in Red Power was received or claimed.

The Group intended to hold the investment in Red Power as a passive and long-term investment, and did not plan for active trading as at 30 June 2021.

Financial leasing services

For the six months ended 30 June 2021, the financial leasing industry in the mainland China had not fully recovered from impacts caused by the COVID-19 pandemic and the unpredictable China/US relationship. The general trend which was characterized by the delay in lease payment, decrease in collateral value and increase in default rate remained noticeable for the six months ended 30 June 2021. 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 had decided to scale-down this segment in 2020, including suspension on soliciting business opportunities unless a favorable one arises.

For the six months ended 30 June 2021, operation of this segment recorded a revenue of approximately HK\$0.3 million (six months ended 30 June 2020: approximately HK\$0.4 million). As at 30 June 2021, the total money value of leasing amounts was approximately HK\$2.5 million (31 December 2020: approximately HK\$3.4 million). Due to the uncertainty of this industry and unsatisfactory performance for the past years, the management maintained a cautious strategy which focused on recovering existing receivables, and remained prudential to fully launch this business again. On the other hand, the management would continuously review this business, and could not rule out the possibility of further down-size.

CHANGE IN SHAREHOLDING

On 22 December 2020, Zhongying Int'l Holding Group Limited ("**Zhongying Int'l**") and the Company jointly announced that Zhongying Int'l would purchase 27,992,770 shares of the Company, representing approximately 34.57% of the total issued share capital of the Company, from Glory Genius International Holdings Limited, a previous controlling shareholder of the Company.

The purchase of 127,992,770 shares of the Company completed on 23 December 2020. Following the completion, Zhongying Int'l and parties acting in concert with it became interested in an aggregate of 161,650,770 shares of the Company, representing approximately 43.66% of the existing issued share capital of the Company. As a result of the completion, Zhongying Int'l was required to make a conditional mandatory cash offer for all the issued shares of the Company not already owned by Zhongying Int'l and parties acting in concert with it pursuant to the Hong Kong Code on Takeovers and Mergers. SPDB International Capital Limited, on behalf of Zhongying Int'l, made the offer (the "**Offer**") to acquire all the offer shares on the basis of HK\$1.345 in cash for each offer share.

The Offer was closed on 2 February 2021. Zhongying Int'l received valid acceptances in respect of a total of 167,156,242 offer shares, representing approximately 45.15% of the entire issued share capital of the Company. Accordingly, Zhongying Int'l and parties acting in concert with it held a total of 328,807,012 shares of the Company, representing approximately 88.81% of the entire issued share capital of the Company, immediately after completion of the Offer.

In order to restore the public float of the Company, Zhongying Int'l proceeded a placing of 51,124,000 shares of the Company from 25 February 2021 to 3 March 2021. Upon completion of the placing, 51,124,000 shares of the Company, representing approximately 13.81% of the issued share capital of the Company, had been placed to not less than six placees who are third parties independent of the Company and its connected persons and parties not acting in concert with Zhongying Int'l, at the placing price of HK\$1.345 per placing share. Accordingly, Zhongying Int'l and parties acting in concert with it held a total of 277,683,012 shares, representing approximately 75.00% of the entire issued share capital of the Company, immediately after completion of the placing.

The Company was of the view that the change in the controlling shareholder represented a new page for the development and growth of the Group. A stable shareholder relationship, together with the management's diligence, would help the Group to achieve a brighter future in the challenging environment.

PROVISION OF SHAREHOLDER LOAN

Following the change in the controlling shareholder as mentioned above, the Company maintained a cordial communication with Zhongying Int'l which indicated a strong support to the Group's development. Then on 13 May 2021, the Company obtained a loan of HK\$100,000,000 (the "**Shareholder Loan**") from Zhongying Int'l.

The term of the Shareholder Loan was one year, provided that both parties can negotiate for an extension of one year, or such other date as the parties may agree. The Shareholder Loan was interest-free with no default interest, and required no collateral. The Company might choose to repay all or part of the Shareholder Loan in advance. However, Zhongying Int'l should not require the Company to repay all or part of the Shareholder Loan in advance before the maturity date.

The Shareholder Loan was negotiated with an aim for the Group to develop its existing business and/or explore other possible opportunities. The Company intended to utilize the Shareholder Loan (i) as the general working capital of the Group; (ii) for expanding the existing businesses of the Group; and/or (iii) for investing in possible new business. The Shareholder Loan could improve the liquidity and increase the cash ratio of the Group, and provide certain guarantee for development of new business without incurring interest cost. Accordingly, the management considers that the terms of the Shareholder Loan were fair and reasonable and in the interests of the Company and all shareholders as a whole.

BUSINESS OUTLOOK

For the six months ended 30 June 2021, the Group recorded a relatively stable performance under the challenging environment. With a reform of the business portfolio which was still on-going, the management believed that the Group was able to deploy its resources into the business with a promising future, and therefore enhance its revenue base and create a long-term profitability.

For the business of design and sales of integrated circuit and semi-conductor parts, the management would continuously direct effort to improve the existing products over competitors in terms of performance as well as price. Meanwhile, the management was diversifying different product lines and exploring new sales and distribution channels in order to broaden the revenue source. More cost control measures would be adopted by the management depending on the future business trends.

For the aviation business, the management would continue to explore business opportunities by adopting a market-expansion strategy, such as actively identifying potential clients.

For the yacht business, the management would focus on full launch of the yacht agency and/or yacht sales business, based on the considerable prospects of this business. On the other hand, the management would actively explore other business opportunities in this industry.

For the businesses of property investment, security investment and financial leasing services, the management was of the view that an expansion was unlikely in the short term unless a favorable opportunity arises. Nevertheless, the management would closely monitor such businesses and their respective industries, with an aim to formulate an appropriate responsive strategy to tackle their unfavorable business environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. Based on a review on the operation and environment of the Group's businesses, 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. On the other hand, the aviation services and yacht sales are subject to the price competitions from other players in the same industry. 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 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 services in mainland China and the aviation business 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Risks

Some risks are not noticeable from the daily operations of the Group, but can have a material adverse impact on the Group. For example, the COVID-19 pandemic and the China/US trade war both caused significant difficulties on the businesses of the Group. In particular, under the safety concerns that the COVID-19 pandemic imposed on the workers, the management had to amend their usual business flows, such as re-scheduling the production process or investing more in hygiene facilities. However, there was no guarantee that such measures were effective in the long term. On the other hand, such significant events may deteriorate other risks and uncertainty that the Group are facing, such as an increased credit risk. Given the complexity, materiality and unpredictability of these events, the Group is of the view that their impacts may take a longer time to fully emerge. Therefore, the financial results of the Group in the past may not have fully reflected all impacts caused by the COVID-19 pandemic and the China/US trade war.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group achieved a revenue of approximately HK\$54.5 million (six months ended 30 June 2020: approximately HK\$35.3 million). The revenue was principally contributed by the Group's core businesses which were (i) design and sales of integrated circuit and semiconductor parts business operations; and (ii) aviation business. For the six months ended 30 June 2021, 37% of the consolidated revenue came from the business of design and sales of integrated circuits and semi-conductor parts (six months ended 30 June 2020: 35%), while 62% of the consolidated revenue came from the aviation business (six months ended 30 June 2020: 64%).

On the other hand, certain business segments, including the property investment, the security investment and the financial leasing services, had experienced a hard business environment, and therefore recorded a minimal revenue of approximately HK\$0.3 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$0.4 million).

In particular, the yacht business was not fully launched by the Group before June 2021 and therefore recorded a minimal revenue for the six months ended 30 June 2021. If the yacht business could be going smoothly as planned and expected, the management was of the view that it might contribute more to the revenue base of the Group.

Operating expenses

Operating expenses amounted to approximately HK\$23.3 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$22.9 million). Such increase was mainly due to increase in staff salaries and administrative costs.

Loss for the period

For the six months ended 30 June 2021, loss for the period attributable to owners of the parent was approximately HK\$10.9 million (six months ended 30 June 2020: approximately HK\$1.2 million). The increase in loss was mainly attributable to the decrease in other income and gains, increase in general and administrative expenses and the shared loss of investments in associate. Basic loss per share attributable to ordinary equity holders of the parent was approximately HK\$2.93 cents (six months ended 30 June 2020: approximately HK\$0.35 cents).

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2021, the Company obtained a shareholder loan of HK\$100,000,000 which had no interest or security from its controlling shareholder, and save for this, the Group did not have any fund-raising activity. As at 30 June 2021, the cash and cash equivalents of the Group amounted to approximately HK\$115.6 million (31 December 2020: approximately HK\$28.0 million). The Group had no outstanding bank loan as at 30 June 2021 (31 December 2020: nil), and no financing cost was incurred for six months ended 30 June 2021 (six months ended 30 June 2020: 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 59.5% as at 30 June 2021 (31 December 2020: approximately 31.9%). The increase in the gearing ratio was mainly caused by the Shareholder Loan. The Group did not have any interest-bearing 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 mainland China. Certain material used in the integrated circuits and semi-conductor parts may be settled in US dollars, which exposed the Group to exchange fluctuations of US\$-RMB. Nevertheless, the management considered that the Group in general was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The management would review the Group's foreign exchange risk and exposure from time to time and would apply hedging where necessary.

CAPITAL STRUCTURE

For the six months ended 30 June 2021, there was no change to the authorized and issued share capital of the Company. As at 1 January 2021 and 30 June 2021, the Company had issued a total of 370,245,142 shares in the par value of HK\$0.1 each. All shares were fully paid and rank *pari passu* with each other in all respects. As at 30 June 2021, the shareholders' fund amounted to approximately HK\$93.0 million (31 December 2020: approximately HK\$107.3 million).

PLEDGE OF ASSETS

As at 30 June 2021, the Group did not have any pledge of assets (31 December 2020: nil).

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.

NO OTHER MATERIAL CHANGE

Save as disclosed, there was no material change in the Group's financial position or business since the publication of the latest annual results of the Company for the year ended 31 December 2020.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2021 (31 December 2020: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 62 employees (31 December 2020: 62 employees). For the six months ended 30 June 2021, total employee benefits expenses, including Directors' emoluments, amounted to approximately HK\$12.4 million (six months ended 30 June 2020: HK\$10.0 million). The remuneration packages of employees were reviewed annually with reference to market level and individual staff performance. The Group's remuneration packages included basic salaries, bonus, contributions to provident fund and medical benefits.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2021, 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. For the six months ended 30 June 2021, the Company had not appointed a chief executive officer. To respond, the roles and functions of the chief executive officer were performed by all the executive Directors collectively.
- (ii) Code provision A.4.1 stipulates those non-executive directors should be appointed for a specific term and are subject to re-election. The non-executive Director and the independent non-executive Directors were not appointed for specific terms. They were 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 should 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 three independent non-executive Director were unable to attend the annual general meeting of the Company held on 4 June 2021 due to the inconvenience caused by the COVID-19 pandemic and/or their respective business matters. 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. As Mr. Duan Hongtao, chairman of the Board, needed to take care of the business of the Group during the time when the annual general meeting of the Company was held on 4 June 2021, he did not attend the meeting in person. However, he attended the meeting by telephone and invited other members of the Board (including executive Directors and non-executive Director) to attend the annual general meeting 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.

CHANGE OF DIRECTORS

From 1 January 2021 to the date of this report:

- (i) Mr. Leung Pok Man had resigned as an executive Director with effect from 15 April 2021;
- (ii) Ms. Lau Mei Ying had resigned as an executive Director with effect from 15 April 2021;
- (iii) Ms. Weng Yuzhen had resigned as an independent non-executive Director and a member of the Nomination Committee, the Remuneration Committee and the Audit Committee with effect from 15 April 2021;
- (iv) Ms. Ching Ching had resigned as the chairmen of the Nomination Committee and the Remuneration Committee, but remained as a member of the Nomination Committee and the Remuneration Committee with effect from 15 April 2021;
- (v) Dr. Song Donglin had been appointed as an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee with effect from 15 April 2021;
- (vi) Mr. Duan Hongtao had been appointed as an executive Director with effect from 16 April 2021;
- (vii) Mr. Zhang Fumin had been appointed as an executive Director with effect from 16 April 2021;
- (viii) Mr. Yang Lin had resigned as the chairman of the Board but remained as an executive Director with effect from 6 May 2021;
- (ix) Mr. Duan Hongtao had been appointed as the chairman of the Board with effect from 10 May 2021;
- (x) Mr. Yang Lin had resigned as an executive Director with effect from 28 May 2021;
- (xi) Ms. Liu Wenjia had been appointed as an executive Director with effect from 23 July 2021.

CHANGES IN INFORMATION OF THE DIRECTORS

Since the date of the 2020 annual report of the Company, Ms. Ching Ching, an independent non-executive Director, has become the ordinary member of Hong Kong Securities and Investment Institute, Chartered Institute For Securities & Investment, Hong Kong Computer Society, and an International Affiliate with the Hong Kong Institute of CPAs.

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 2021.

OTHER INFORMATION

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 had been made to all the Directors and the Directors had confirmed that they had complied with the Model Code for the six months ended 30 June 2021.

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

As at 30 June 2021, the interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities & Futures Ordinance (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/nature	Number of Shares/ underlying Shares held/ interested in	Long/short position	Percentage of shareholder (Note 1)
Ever Digital Limited (Note 2)	Beneficial owner	33,658,000	Long	9.09%
Zhongying Int’l Holding Group Limited (Note 2)	Beneficial owner and interest in controlled corporation(s)	277,683,012	Long	75%
Mr. Duan Hongtao (Note 3)	Interest in controlled corporation(s)	277,683,012	Long	75%

Notes:

1. Based on 370,245,142 ordinary shares of the Company in issue as at 30 June 2021.
2. Mr. Duan Hongtao owned as to 99% of the issued shares of Zhongying Int’l Holding Group Limited which beneficially owned 244,025,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan Hongtao was deemed to be interested in a total of 277,683,012 shares of the Company.
3. Mr. Duan Hongtao is the chairman of the Board and an executive Director.

As at 30 June 2021 and save as disclosed, there was no interest and short position 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.

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

As at 30 June 2020, the interest and short position of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 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, were as follows:

Name of Directors and chief executives	Capacity/nature	Number of Shares/ underlying Shares held/ interested in	Long/short position	Percentage of shareholder (Note 1)
Mr. Duan Hongtao (Note 2)	Interested in controlled corporation(s)	277,683,012	Long	75%

Notes:

- Based on 370,245,142 ordinary shares of the Company in issue as at 30 June 2021.
- Mr. Duan Hongtao owned as to 99% of the issued shares of Zhongying Int'l Holding Group Limited which beneficially owned 244,025,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan Hongtao was deemed to be interested in a total of 277,683,012 shares of the Company.

As at 30 June 2021 and save as disclosed, 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 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2021.

OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Upon completion of a general offer of Zhongying Int'l in January and February 2021, 41,438,130 shares of the Company, representing approximately 11.19% of the entire issued share capital of the Company, were held by the public (as defined under the Listing Rules). Accordingly, the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules.

An application was made by the Company to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules. On 3 March 2021, the Stock Exchange granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to the Company for a period from 2 February 2021 to 26 March 2021, subject to certain conditions.

On 3 March 2021, Zhongying Int'l completed a placing of 51,124,000 shares of the Company. Thereafter, a total of 92,562,130 shares of the Company, representing approximately 25.00% of the issued share capital of the Company, were held by the public. As such, the public float of the Company was restored to not less than 25% of the issued share capital of the Company.

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 3 February 2021 due to the insufficiency in public float, and was resumed from 9:00 a.m. on 5 March 2021 due to the restoration in public float.

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

AUDIT COMMITTEE

The Audit Committee comprised solely independent non-executive directors, namely Ms. Ching Ching (chairman), Dr. Song Donglin and Dr. Zhang Shengdong. The Group's interim results for the six months ended 30 June 2021 had been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
REVENUE	4	54,469	35,332
Cost of sales		(41,070)	(23,654)
Gross profit		13,399	11,678
Other income and gains, net	5	5,748	11,172
Distribution costs		(147)	(212)
General and administrative expenses		(23,307)	(22,894)
Interest on lease liabilities		(57)	(326)
Share of profits and losses of associates		(6,276)	–
LOSS BEFORE TAX	6	(10,640)	(582)
Income tax expense	7	(223)	(661)
LOSS FOR THE PERIOD		(10,863)	(1,243)
Attributable To:			
Owners of the Parent		(10,863)	(1,185)
Non-controlling interests		–	(58)
		(10,863)	(1,243)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	8	(2.93)	(0.35)
Dividends	9	–	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(10,863)	(1,243)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	368	(544)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
<i>Equity investments designed at fair value through other comprehensive income:</i>		
Changes in fair value	(3,761)	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(3,393)	(544)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(14,256)	(1,787)
Attributable to:		
Owners of the parent	(14,256)	(1,729)
Non-controlling interests	—	(58)
	(14,256)	(1,787)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant, and equipment	10	2,609	2,751
Investment properties		30,328	30,328
Right-of-use assets		557	5,092
Investments in associates	11	21,845	27,944
Equity investment designated at fair value through other comprehensive income	12	8,560	12,321
Deferred tax assets		655	646
Long-term deposits		213	211
Total non-current assets		64,767	79,293
CURRENT ASSETS			
Inventories		2,216	4,041
Finance leases receivables		2,516	3,428
Trade and bills receivables	13	24,235	23,359
Prepayments, other receivables and other assets	14	13,402	12,609
Loans receivables	15	6,613	6,490
Finance assets at fair value through profit or loss	16	150	150
Tax recoverable		168	167
Cash and cash equivalents		115,602	28,031
Total current assets		164,902	78,275
CURRENT LIABILITIES			
Trade payables	17	21,911	23,227
Other payables and accruals	18	111,830	19,414
Lease liability		595	5,620
Tax payables		2,303	1,954
Total current liabilities		136,639	50,215
NET CURRENT ASSETS		28,263	28,060
TOTAL ASSETS LESS CURRENT LIABILITIES		93,030	107,353
NON-CURRENT LIABILITIES			
Lease liability		—	(67)
NET ASSETS		93,030	107,286
CAPITAL AND RESERVES			
Equity attributable to owners of parent			
Share capital	19	37,025	37,025
Other reserves		108,204	111,597
Accumulated losses		(52,199)	(41,336)
Total equity		93,030	107,286

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent				Non-controlling interests	Total equity
	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 2020	33,659	98,674	(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	33,659	97,973	(37,026)	94,606	-	94,606
Balance at 1 January 2021	37,025	111,597	(41,336)	107,286	-	107,286
Loss for the period	-	-	(10,863)	(10,863)	-	(10,863)
Other comprehensive loss for the period:						
Changes in fair value of equity investments designed at fair value through other comprehensive income	-	(3,761)	-	(3,761)	-	(3,761)
Exchange differences on translation	-	368	-	368	-	368
Total comprehensive loss for the period	-	(3,393)	(10,863)	(14,256)	-	(14,256)
Balance at 30 June 2021	37,025	108,204	(52,199)	93,030	-	93,030

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(1,097)	5,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(219)	–
Net proceeds from disposal of subsidiaries	(68)	1,726
Interests received	75	19
Net cash (used in)/generated from investing activities	(212)	1,745
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal portion of lease payments	(5,103)	(5,800)
Repayment of other borrowings	(5,938)	–
Proceeds from loans from ultimate holding company	100,000	–
Distribution to non-controlling shareholders	–	(58)
Net cash generated from/(used in) financing activities	88,959	(5,858)
Net increase in cash and cash equivalents	87,650	1,114
Cash and cash equivalents at 1 January	28,031	8,516
Effect of foreign exchange rate changes, net	(79)	(46)
Cash and cash equivalents at 30 June	115,602	9,584

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 hereinafter as the “**Group**”) are involved in the following principal activities: the design and sales of integrated circuits and semi-conductor parts, finance lease services, money lending, aviation and yacht business management and property investment.

In the opinion of the directors, the holding company and ultimate holding company of the Company is Zhongying Int’l Holding Group Limited, which is incorporated in Hong Kong.

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 2020. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the 2021 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 HKFRS 16	<i>Covid-19 related rent concession beyond 30 June 2021</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – phase 2</i>

The adoption of the amendments to HKFRS does not have a material impact on the Group’s condensed consolidated interim 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 2020.

4. SEGMENT INFORMATION

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

- (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) aviation and yacht business management services;
- (iv) property investment; and
- (v) the "Headquarter" segment comprises principally the Group's corporate administrative and investment functions performed by headquarter.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits (Unaudited) HK\$'000	Finance lease services (Unaudited) HK\$'000	Aviation and yacht business management (Unaudited) HK\$'000	Property Investment (Unaudited) HK\$'000	Headquarter (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended 30 June 2021						
Revenues from external customers	20,141	347	33,981	-	-	54,469
Operating profit/(loss)	3,268	(702)	(1,597)	-	(11,758)	(10,789)
Interest income	67	-	3	-	79	149
Profit/(loss) before income tax	3,335	(702)	(1,594)	-	(11,679)	(10,640)
Income tax expense	(221)	-	-	-	(2)	(223)
Profit/(loss) for the period	3,114	(702)	(1,594)	-	(11,681)	(10,863)
Other segment information:						
Depreciation and amortisation, included in the results for the period	(291)	-	-	-	(99)	(390)
Depreciation of right-of-use assets	(382)	-	-	-	(4,163)	(4,545)
Gain on disposal of subsidiaries	-	-	-	-	428	428
Share of losses of an associate	-	-	-	-	(6,276)	(6,276)
As at 30 June 2021						
Segment assets	34,442	9,688	46,392	30,328	108,819	229,669
Segment liabilities	7,242	455	24,180	-	104,762	136,639

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

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	149	338
Sundry income	121	1,047
Management fee income	5,050	5,986
Government subsidies	–	416
Gain on disposal of subsidiaries*	428	4,371
Fair value (losses) of financial assets at fair value through profit or loss	–	(990)
Exchange gains, net	–	4
	5,748	11,172

* For the period ended 30 June 2021, gain on disposal of subsidiaries is mainly derived from the disposal of an inactive PRC subsidiary which was completed in June 2021.

For the period ended 30 June 2020, 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.

6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	7,527	6,165
Depreciation of property, plant and equipment	390	479
Depreciation of right-of-use assets	4,545	5,283
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	11,553	9,560
Pension scheme contributions	880	455
	12,433	10,015
Interest income	(149)	(338)
Impairment losses of finance lease receivable [#]	1,039	1,316
Impairment losses of trade receivable [#]	262	357
(Reversal of impairment)/impairment losses of loan receivable [#]	(54)	2,214
Impairment losses of financial assets included in deposits, prepayments and other receivables [#]	—	340
Gain on disposal subsidiaries	(428)	(4,371)
Fair value losses/(gains) investments at fair value through profit or loss	—	990

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

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

7. INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. No provision for Hong Kong profits tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the period (six months ended 30 June 2020: 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 Semiconductor Company Limited was registered as a New and High Technology Enterprise in mainland China for the six months ended 30 June 2021 and is subjected to a preferential Corporate Income Tax (“**CIT**”) rate of 15% (six months ended 30 June 2020: 15%).

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	701
– Mainland China	223	–
Over-provision in prior year – Mainland China	–	(40)
Total tax charge for the period	223	661

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss attributable to ordinary equity holders of the parent	<u>(10,863)</u>	<u>(1,185)</u>
	Number of shares	
	For the six months ended 30 June	
	2021	2020
	'000	'000
Weighted average number of ordinary shares in issue	<u>370,245</u>	<u>336,587</u>
	HK cents	HK cents
Basic loss per share	<u>(2.93)</u>	<u>(0.35)</u>

(b) Diluted

The Company has not issued any potentially dilutive ordinary shares during the period ended 30 June 2021 and 2020.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2021, the Group acquired property, plant and equipment with total cost of HK\$219,000 (six months ended 30 June 2020: Nil).

11. INVESTMENTS IN ASSOCIATES

	HK\$'000
At 1 January 2021	27,944
Share of loss of associates for the period	(6,276)
Exchange reserves	177
	<hr/>
At 30 June 2021	21,845
	<hr/> <hr/>

Particulars of the associate are as follows:

Company name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Red Power Developments Limited ("Red Power")	Ordinary shares	BVI/PRC	20.2	Development, sales, lease and maintenance of equipment involving the application of aviation technology and provision of air transportation services

The Group's shareholdings in the associates comprise of all comprise equity shares held by the Company.

11. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarized financial information in respect of the group of Red Power, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Current assets	296,395	288,394
Non-current assets, excluding goodwill	29,392	32,180
Current liabilities	(282,006)	(246,249)
Non-current liabilities	(622)	(781)
Amount attributable to non-controlling interest	1,999	1,804
Net assets	45,158	75,348
Reconciliation to the Group's interest in associates:		
Portion of the Group's ownership	20.2%	20.2%
The Group's share of net assets of the associate	9,122	15,221
Goodwill on acquisition (less cumulative impairment)	12,723	12,723
Carrying amount of the investments in associates	21,845	27,944
		For the six months ended 30 June 2021 HK\$'000 (Unaudited)
Revenue		9,805
Loss for the period		(31,068)
Other comprehensive income for the period		878
Total comprehensive income for the period		(30,190)
Dividends		-

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Unlisted equity investment		
– Cornerstone Securities Limited	8,560	12,321

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

13. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	21,605	20,102
Less: Impairment	(574)	(312)
	21,031	19,790
Bills receivables	3,204	3,569
Trade and bills receivables	24,235	23,359

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.

13. TRADE AND BILLS RECEIVABLES *(Continued)*

Trade receivables *(Continued)*

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	4,700	6,875
More than 1 month but less than 3 months	15,944	10,105
More than 3 months	387	2,810
	21,031	19,790

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
At beginning of period	312	173
Impairment losses, net	262	139
At end of period	574	312

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.

13. TRADE AND BILLS RECEIVABLES (Continued)

Impairment (Continued)

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	
			1 to 3 months		Over 3 months			
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Expected credit loss rate	2.11%	1.87%	2.33%	1.72%	19.29%	0.14%	2.66%	1.55%
Gross carrying amount (HK\$'000)	4,801	7,006	16,325	10,282	479	2,814	21,605	20,102
Expected credit losses (HK\$'000)	101	131	381	177	92	4	574	312

Bills receivables

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	887	724
More than 1 month but less than 3 months	1,475	980
More than 3 months but less than 6 months	842	1,390
More than 6 months but within 1 year	—	475
	3,204	3,569

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Deposits and other receivables	6,620	6,222
Prepayments	8,372	7,957
Impairment allowance	(1,377)	(1,359)
	13,615	12,820
Less: non-current portion – long-term deposits	(213)	(211)
Current portion	13,402	12,609

15. LOANS RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Loans receivables, unsecured	8,718	8,626
Less: Impairment	(2,105)	(2,136)
	6,613	6,490

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.

15. LOANS RECEIVABLES *(Continued)*

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
At beginning of period	2,136	38
(Reversal of impairment)/impairment losses	(54)	2,013
Exchange realignment	23	85
At end of period	<u>2,105</u>	<u>2,136</u>

The Group applies general approach to measure expected credit losses which use 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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Listed equity investments, at market value		
Imperial Pacific International Holdings Limited	<u>150</u>	<u>150</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.

17. ACCOUNT PAYABLES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	1,218	1,707
More than 1 month but less than 3 months	540	2,284
More than 3 months	20,153	19,236
	21,911	23,227

The account payables are non-interest bearing and are normally settled on terms of 1 to 12 months.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Accruals	5,605	5,055
Contract liabilities	3,382	1,717
Due to holding company*	100,000	5,028
Other payables	2,843	7,614
	111,830	19,414

* The amount due to holding company is unsecured, interest free and repayable within one year.

19. SHARE CAPITAL

	Number of shares '000	Share Capital HK\$'000
Authorised:		
At 31 December 2020, 1 January 2021 and 30 June 2021 (Ordinary share of HK\$0.1 each)	1,000,000	100,000
Issued and fully paid:		
At 1 January 2020	336,587	33,659
Issue of share during the year ended 31 December 2020	<u>33,658</u>	<u>3,366</u>
At 31 December 2020 and 30 June 2021	<u><u>370,245</u></u>	<u><u>37,025</u></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 six months ended 30 June 2021.

(a)

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Management fee income charged to the holding company	5,043	–
Cost of services charged by associates	945	–

(b) Key management personnel compensation

Key management includes directors, supervisors and other senior management. The compensation paid or payable to key management for employee services is shown below:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Basic salaries and allowances	2,880	2,079

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 12 and 16 to the condensed consolidated financial information, all financial assets and liabilities of the Group as at 30 June 2021 and 31 December 2020 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 2021 (Unaudited)				
Equity investments designated at fair value through other comprehensive income	-	-	8,560	8,560
Financial assets at fair value through profit or loss	150	-	-	150
At 31 December 2020 (Audited)				
Equity investments designated at fair value through other comprehensive income	-	-	12,321	12,321
Financial assets at fair value through profit or loss	150	-	-	150

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 2021 and 31 December 2020.

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. COMPARATIVE AMOUNTS

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

23. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorized for issue by the Board on 27 August 2021.