



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

2022



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Duan Hongtao *Note 1*

Ms. Li Weina

Mr. Zhang Fumin

Mr. Wang Yi *Note 2*

Independent Non-Executive Directors

Ms. Ching Ching

Dr. Song Donglin

Dr. Zhang Shengdong

BOARD COMMITTEES

Audit Committee

Ms. Ching Ching (*Chairman*)

Dr. Song Donglin

Dr. Zhang Shengdong

Nomination Committee

Dr. Song Donglin (*Chairman*)

Ms. Ching Ching

Dr. Zhang Shengdong

Remuneration Committee

Dr. Song Donglin (*Chairman*)

Ms. Ching Ching

Dr. Zhang Shengdong

Notes:

1. Resigned on 14 February 2022

2. Appointed on 8 March 2022

COMPANY SECRETARY

Mr. Chow Kin Wing

STOCK CODE

1010

WEBSITE

<http://pacray.com.hk>

AUDITOR

Zenith CPA Limited

Certified Public Accountants

LEGAL ADVISOR

Robertsons Solicitors

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

17/F, Far East Finance Centre,

16 Harcourt Road, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022, the Group principally engaged in (i) design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management services; and (iii) sales of yachts and other yachting related business.

The business environment for the six months ended 30 June 2022 remained challenging, as the COVID-19 pandemic has given rise to a challenging and uncertain economic environment to the global market and brought prolonged adverse impact on all kinds of businesses. Certain businesses of the Group are economically sensitive and therefore recorded a less than satisfactory 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. The executive jet management services which focused on a niche market and delivered customer-tailored services also did not perform satisfactorily and recorded a fall in gross profit margin due to the competing pressure. Finally, the sales of yachts and other yachting related business were performing in the right track. As at the date of this report, the management regarded the yachting businesses with a high strategic position, and was conducting strategic deployment in the yachting businesses. When assessed as a combination, the performance of the Group remained resilient for the six months ended 30 June 2022.

Given the complexity and unpredictability of the business environment, the management continuously monitors the business portfolio of the Group, mainly on the basis of long-term profitability. Objectives of the management are (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 met 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.

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 2022 indicated that re-organisation of the Group's businesses portfolio was 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 executive jet management business and active marketing and branding in the yachting businesses.

The management would like to emphasise 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Design and sales of integrated circuit and semi-conductor parts

For the six months ended 30 June 2022, 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 2022, approximately 91% (six months ended 30 June 2021: 76%) and 9% (six months ended 30 June 2021: 24%) of the revenue was generated from the caliper and MCU respectively.

For the six months ended 30 June 2022, operation of this segment recorded (i) a revenue of approximately HK\$22.7 million (six months ended 30 June 2021: approximately HK\$20.1 million); and (ii) a segment profit of approximately HK\$2.7 million (six months ended 30 June 2021: approximately HK\$3.2 million). For the six months ended 30 June 2022, 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.

Executive jet management

For the six months ended 30 June 2022, the business in executive jet management recorded a decrease in revenue. Services provided by the Group in aviation business management mainly included jet business management 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 2022, operation of this segment recorded a revenue of approximately HK\$20.9 million (six months ended 30 June 2021: approximately HK\$33.3 million). Due to the impact of the epidemic in the first half of year 2022, there was a decrease in customer’s desire to travel, the revenue of executive jet management thus dropped accordingly.

The management adopted a customer-oriented strategy and focused 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Yachting businesses

The Group commenced to look for business opportunities in the yachting businesses since 2019 by entering into a non-exclusive agency agreement with an independent third party to sell 46-meter mega yachts and 110-foot catamaran yachts. In late 2020, the Group noticed excellent growth potential in the yachting industry, 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 was of the view that it would be beneficial for the Group to deploy additional resources to expand the yachting businesses.

For the six months ended 30 June 2022, the Group signed several contracts with independent third parties to sell ten 46-meter yachts at an aggregate consideration of approximately RMB1,014.5 million. Of these ten yachts, one was delivered to the customer in February 2022 in good condition but sales were not recognised in the first half of 2022 as certain revenue recognition criteria were not met. Management anticipated sales of this yacht will be recognised in the second half of 2022. For the remaining nine yachts, four are expected to complete construction before end of 2022, while the rest in the first half of 2023. As at 30 June 2022, approximately RMB79 million were received as sales proceeds and deposits for the sales of the ten 46-meter yachts. Management would consistently and closely monitor the performance of the yachting businesses to formulate feasible and profitable long-term strategies.

Property investment

The Group possessed a leasehold interest on a land parcel in the Island of Saipan, 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 these properties in the Island of Saipan was approximately 1,953 square meters within six apartment buildings containing an aggregate of 31 apartment units. According to the valuation assessed by an independent professional valuer, the properties in the Island of Saipan had a value of approximately HK\$30.3 million as at 31 December 2021. The properties in the Island of Saipan constituted the sole investment of the Group's investment properties.

For the six months ended 30 June 2022, the local economy in the Island of 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 performance of the property markets was highly correlated to the economic activities, no revenue was recorded for the period (six months ended 30 June 2021: nil). As the local property market in the Island of Saipan was inactive, the management adopted a passive investment strategy for this business segment for the year. If there is a recovery in the Island of Saipan's economy, the Group would consider and explore different options in realizing the investment potential of the properties, such as leasing or sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment holding

As at 30 June 2022, 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 2022, (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 2022.

- (ii) Certain shares of a company listed in The Stock Exchange of Hong Kong Limited, which have a fair value of approximately HK\$0.1 million (31 December 2021: approximately HK\$0.1 million.)

LOANS FROM A SHAREHOLDER

Following the change in the controlling shareholder as mentioned above, the Company maintained a cordial communication with Zhongying Int'l which indicated strong support to the Group's development. On 12 May 2021 and 28 October 2021, the Company obtained two loans of HK\$100,000,000 each, totaling HK\$200,000,000 from Zhongying Int'l (“**Shareholder Loans**”). The Shareholder Loans were negotiated with an aim for the Group to develop the existing yachting businesses and/or explore other possible opportunities. The Group mainly used the Shareholder Loans (i) as the general working capital for the Group; and (ii) for growing the yachting businesses.

The term of the Shareholder Loans is one year, and is interest-free with no default interest, and requires no collateral. The Company may choose to repay all or part of the Shareholder Loans in advance. One of HK\$100,000,000 loan has been extended one year on May 2022.

The Shareholder Loans could improve the liquidity and increase the cash ratio of the Group, and provide certain guarantee for development of new businesses without incurring interest cost. Accordingly, the management considered that the terms of the Shareholder Loans were favourable to and in the interests of the Company and all shareholders as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

For the six months ended 30 June 2022, 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 executive jet management business, the management would continue to explore business opportunities by adopting a market-expansion strategy, such as actively identifying potential clients.

For the yachting businesses, 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.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the Group achieved a revenue of approximately HK\$43.6 million (six months ended 30 June 2021: approximately HK\$54.5 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) executive jet management. For the six months ended 30 June 2022, 52% of the consolidated revenue came from the business of design and sales of integrated circuits and semi-conductor parts (six months ended 30 June 2021: 37%), while 48% of the consolidated revenue came from the executive jet management business (six months ended 30 June 2021: 62%).

Although no revenue was recognised from the yachting businesses for the six months ended 30 June 2022, the Group signed several contracts for the sales of ten 46-meter yachts. Management anticipated the yachting businesses will generate revenue in the second half of 2022.

Operating expenses

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK\$31.7 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$23.4 million). Such increase was mainly due to increase in staff salaries, selling, distribution and marketing expenses, and administrative costs as a result of the expansion of the yachting businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the period

For the six months ended 30 June 2022, loss for the period attributable to owners of the Company was approximately HK\$15.5 million (six months ended 30 June 2021: approximately HK\$10.9 million). The increase in loss was mainly attributable to the decrease in other income and gains, increase in general and administrative expenses and increase in imputed interest on Shareholder Loans. Basic loss per share attributable to ordinary equity holders of the parent was approximately HK\$4.17 cents (six months ended 30 June 2021: approximately HK\$2.93 cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately HK\$85 million (31 December 2021: approximately HK\$86 million). Except for the Shareholder Loans, the Group had no outstanding loan as at 30 June 2022 (31 December 2021: 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 87.9% as at 30 June 2022 (31 December 2021: approximately 78.8%). The increase in the gearing ratio was mainly caused by the Shareholder Loans. The Group did not have any interest-bearing debt financing except for the Shareholder Loans during the period.

FOREIGN CURRENCY EXPOSURE

The Group's results were exposed to exchange fluctuations of Renminbi as the Group mainly had operations in the PRC. Certain materials 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 2022, there was no change to the authorised and issued share capital of the Company. As at 1 January 2022 and 30 June 2022, 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 2022, the shareholders' fund amounted to approximately HK\$45 million (31 December 2021: approximately HK\$62.6 million).

PLEDGE OF ASSETS

As at 30 June 2022, the Group did not have any pledge of assets (31 December 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2022 (31 December 2021: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 115 employees (31 December 2021: 74 employees). For the six months ended 30 June 2022, total employee benefits expenses, including Directors' emoluments, amounted to approximately HK\$15.7 million (six months ended 30 June 2021: HK\$12.4 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 2022 (six months ended 30 June 2021: nil).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2022, 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.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.
- (ii) 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 the shareholders. Two executive directors and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 6 June 2022 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.

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 2022 to the date of this report:

- (i) Mr. Duan Hongtao resigned as an executive director and Chairman with effect from 14 February 2022; and
- (ii) Mr. Wang Yi had been appointed as an executive director with effect from 8 March 2022.

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 2022.

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

As at 30 June 2022, 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 shareholding (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:

- Based on 370,245,142 ordinary shares of the Company in issue as at 30 June 2022.
- 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.
- Mr. Duan Hongtao resigned as an executive director and Chairman with effect from 14 February 2022.

As at 30 June 2022 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.

OTHER INFORMATION

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

As at 30 June 2022, 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 shareholding (Note 1)
Mr. Duan Hongtao (Note 2)	Interested 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 2022.
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.

As at 30 June 2022 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 2022.

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 2022 had been reviewed by the Audit Committee.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	4	43,598	54,469
Cost of sales		(24,150)	(41,070)
Gross profit		19,448	13,399
Other income and gains, net	5	1,530	5,748
Distribution costs		(375)	(147)
General and administrative expenses		(31,336)	(23,307)
Finance costs	6	(4,721)	(57)
Share of profits and losses of an associate		-	(6,276)
LOSS BEFORE TAX	7	(15,454)	(10,640)
Income tax expense	8	-	(223)
LOSS FOR THE PERIOD		(15,454)	(10,863)
Attributable to:			
Owners of the Company		(15,454)	(10,863)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
- Basic and diluted	9	(4.17)	(2.93)
Dividend	10	-	-

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(15,454)	(10,863)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(6,426)	368
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
<i>Equity investments designated at fair value through other comprehensive income:</i>		
Changes in fair value	-	(3,761)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(6,426)	(3,393)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(21,880)	(14,256)
Attributable to:		
Owners of the Company	(21,880)	(14,256)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	3,027	3,672
Investment properties		30,328	30,328
Right-of-use assets		2,008	64
Equity investments designated at fair value through other comprehensive income	12	8,420	8,420
Deferred tax assets		641	670
Long-term deposits		209	–
Total non-current assets		44,633	43,154
CURRENT ASSETS			
Finance lease receivable		–	2,431
Inventories		2,565	1,346
Trade and bills receivables	13	24,124	34,054
Prepayments, other receivables and other assets	14	216,901	127,649
Financial assets at fair value through profit or loss	15	67	67
Tax recoverable		164	171
Cash and cash equivalents		84,840	86,172
Total current assets		328,661	251,890
CURRENT LIABILITIES			
Trade payables	16	19,065	19,819
Other payables and accruals	17	116,810	15,868
Lease liabilities		338	70
Loans from a shareholder		186,820	194,333
Tax payable		3,281	2,404
Total current liabilities		326,314	232,494
NET CURRENT ASSETS		2,347	19,396
TOTAL ASSETS LESS CURRENT LIABILITIES		46,980	62,550
NON-CURRENT LIABILITIES			
Lease liabilities		1,939	–
NET ASSETS		45,041	62,550
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	37,025	37,025
Other reserves		117,646	119,701
Accumulated losses		(109,630)	(94,176)
Total equity		45,041	62,550

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 January 2021 (Audited)	37,025	111,597	(41,336)	107,286
Loss for the period	-	-	(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)
Exchange differences on translation	-	368	-	368
Total comprehensive loss for the period	-	(3,393)	(10,863)	(14,256)
Balance at 30 June 2021 (Unaudited)	37,025	108,204	(52,199)	93,030
Balance at 1 January 2022 (Audited)	37,025	119,701	(94,176)	62,550
Loss for the period	-	-	(15,454)	(15,454)
Other comprehensive loss for the period:				
Exchange differences on translation	-	(6,426)	-	(6,426)
Total comprehensive loss for the period	-	(6,426)	(15,454)	(21,880)
Deemed capital contribution arising from loans from a Shareholder	-	4,371	-	4,371
Balance at 30 June 2022 (Unaudited)	37,025	117,646	(109,630)	45,041

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	<u>850</u>	<u>(1,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	–	(219)
Net proceeds from disposal of subsidiaries	–	(68)
Interests received	<u>111</u>	<u>75</u>
Net cash generated from/(used in) investing activities	<u>111</u>	<u>(212)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(133)	(5,103)
Repayment of other borrowings	–	(5,938)
Repayment of loans from a shareholder	(7,513)	–
Proceeds from loans from a shareholder	<u>–</u>	<u>100,000</u>
Net cash (used in)/generated from financing activities	<u>(7,646)</u>	<u>88,959</u>
Net (decrease)/increase in cash and cash equivalents	(6,685)	87,650
Cash and cash equivalents at 1 January	86,172	28,031
Effect of foreign exchange rate changes, net	<u>5,353</u>	<u>(79)</u>
Cash and cash equivalents at 30 June	<u>84,840</u>	<u>115,602</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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, executive jet management, and sales of yachts and other yachting related businesses.

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 2021. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2021, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Accounting Guideline 5 (Revised)	<i>Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

NOTES TO THE 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 2021.

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) executive jet management services;
- (iii) sales of yachts and other yachting related businesses;
- (iv) property investment; and
- (v) the "Headquarter and others" segment comprises principally the Group's corporate administrative and investment functions performed by headquarter and provision of finance lease services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

	Design and sales of integrated circuits (Unaudited) HK\$'000	Executive jet management (Unaudited) HK\$'000	Yachting businesses (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Headquarter and others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended						
30 June 2022						
Revenue from external customers	22,681	20,917	-	-	-	43,598
Operating profit/(loss)	2,740	838	(5,953)	-	(13,190)	(15,565)
Interest income	88	-	21	-	2	111
Profit/(loss) before income tax	2,828	838	(5,932)	-	(13,188)	(15,454)
Income tax expense	-	-	-	-	-	-
Profit/(loss) for the period	2,828	838	(5,932)	-	(13,188)	(15,454)
Other segment information:						
Depreciation and amortisation, included in the results for the period	(403)	-	-	-	(242)	(645)
Depreciation of right-of-use assets	(475)	-	-	-	-	(475)
As at 30 June 2022						
Segment assets	43,356	23,630	232,262	30,328	43,718	373,294
Segment liabilities	11,693	21,272	92,922	-	202,366	328,253

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	Executive jet and mega yacht management businesses (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Headquarter (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
For the six months ended						
30 June 2021						
Revenue 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

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	111	149
Sundry income	148	121
Management fee income	1,135	5,050
Government subsidies	136	–
Gain on disposal of subsidiaries*	–	428
	<u>1,530</u>	<u>5,748</u>

* For the period ended 30 June 2021, gain on disposal of subsidiaries is mainly derived from the disposal of an inactive subsidiary in the People's Republic of China (the "PRC") which was completed in June 2021.

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	63	57
Interest on loans from a shareholder	4,658	–
	<u>4,721</u>	<u>57</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	6,911	7,527
Depreciation of property, plant and equipment	645	390
Depreciation of right-of-use assets	475	4,545
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	13,895	11,553
Pension scheme contributions	1,798	880
	15,693	12,433
Interest income	(111)	(149)
Impairment losses of finance lease receivable [#]	2,431	1,039
Impairment losses of trade receivables [#]	670	262
Reversal of impairment of loans receivables [#]	–	(54)
Impairment losses of financial assets included in prepayments, other receivables and other assets [#]	1,161	–
Gain on disposal of subsidiaries	–	(428)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. INCOME TAX EXPENSE

The Company is exempted from taxation in Bermuda. No provision for Hong Kong profits tax has been made as its subsidiaries in Hong Kong have no estimated assessable profits for the period (six months ended 30 June 2021: nil). Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25%.

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	-	-
– the PRC	-	223
Total tax charge for the period	-	223

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

(a) Basic

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss attributable to ordinary equity holders of the Company	<u>(15,454)</u>	<u>(10,863)</u>
	Number of shares	
	For the six months ended 30 June	
	2022	2021
	'000	'000
Weighted average number of ordinary shares in issue	<u>370,425</u>	<u>370,245</u>
	HK cents	HK cents
Basic loss per share	<u>(4.17)</u>	<u>(2.93)</u>

(b) Diluted

The Company has not issued any potentially dilutive ordinary shares during the period ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2022, the Group did not acquire any property, plant and equipment (six months ended 30 June 2021: HK\$219,000).

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Equity investments designated at fair value through other comprehensive income		
Unlisted investment, at fair value		
Cornerstone Securities Limited	<u>8,420</u>	<u>8,420</u>

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables	24,392	32,356
Loss allowance	<u>(1,082)</u>	<u>(412)</u>
	23,310	31,944
Bills receivables	<u>814</u>	<u>2,110</u>
Trade and bills receivables	<u>24,124</u>	<u>34,054</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND BILLS RECEIVABLES *(Continued)*

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	1,532	5,544
More than 1 month but less than 3 months	6,144	13,664
More than 3 months	15,634	12,736
	23,310	31,944

Bills receivables

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	–	1,019
More than 1 month but less than 3 months	107	308
More than 3 months but less than 6 months	707	783
	814	2,110

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Deposits and other receivables	2,485	2,993
Prepayments	216,954	126,033
Loss allowance	<u>(2,538)</u>	<u>(1,377)</u>
	<u>216,901</u>	<u>127,649</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Listed equity investments, at fair value	<u>67</u>	<u>67</u>

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

16. TRADE PAYABLES

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

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	1,580	4,478
More than 1 month but less than 3 months	–	3,939
More than 3 months	<u>17,485</u>	<u>11,402</u>
	<u>19,065</u>	<u>19,819</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Accruals	3,642	9,285
Contract liabilities (note (a))	966	2,849
Receipts in advance (note (b))	93,456	617
Other payables (note (c))	18,746	3,117
	116,810	15,868

Notes:

- (a) Details of contract liabilities are as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
<i>Short-term advances received from customers</i>		
Sales of goods	966	2,849

Contract liabilities include short-term advances received from design and sales of integrated circuits.

- (b) Receipts in advance represent the deposits for yachts sales received but yachts are yet to be delivered.
- (c) The other payables are unsecured, interest-free and have an average term of one month.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. SHARE CAPITAL

	Number of shares '000	Share Capital HK\$'000
Authorised:		
At 1 January 2021, 31 December 2021 and 30 June 2022 (Ordinary share of HK\$0.1 each)	1,000,000	100,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 30 June 2022	370,245	37,025

19. 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 2022.

(a) The Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Management fee income charged to the holding company	-	5,043
Cost of services charged by an associate	-	945

(b) Key management personnel compensation

Key management includes directors 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Basic salaries and allowances	4,371	2,880

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. 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 15 to the condensed consolidated financial information, all financial assets and liabilities of the Group as at 30 June 2022 and 31 December 2021 were financial assets and financial liabilities at amortised cost, respectively.

Management has assessed that the fair values of cash and cash equivalents, 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, loans from a shareholder 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 2022 (Unaudited)				
Equity investments designated at fair value through other comprehensive income	-	-	8,420	8,420
Financial assets at fair value through profit or loss	67	-	-	67
At 31 December 2021 (Audited)				
Equity investments designated at fair value through other comprehensive income	-	-	8,420	8,420
Financial assets at fair value through profit or loss	67	-	-	67

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. 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 2022 and 31 December 2021.

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.

21. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorized for issue by the Board on 30 August 2022.