



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

(Incorporated in Bermuda with limited liability)

Stock Code: 1010



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Lin (*Chairman*)^{Note 2}
Mr. Xu Yinsheng^{Note 5}
Mr. Liu Shixia^{Note 7}
Mr. Leung Pok Man
Ms. Lau Mei Ying
Mr. Liew Fui Kiang (*Chairman*)^{Note 1}
Mr. Wei Xiao^{Note 6}

Non-executive Director

Mr. Zhou Danqing

Independent Non-executive Directors

Mr. Lee Man To
Ms. Choi Yee Man
Dr. Zhang Shengdong^{Note 4}
Ms. Zhuge Chang^{Note 3}

BOARD COMMITTEES

Audit Committee

Mr. Lee Man To (*Chairman*)
Ms. Choi Yee Man
Dr. Zhang Shengdong^{Note 4}
Ms. Zhuge Chang^{Note 3}

Remuneration Committee

Ms. Choi Yee Man (*Chairman*)
Mr. Lee Man To
Dr. Zhang Shengdong^{Note 4}
Ms. Zhuge Chang^{Note 3}

Nomination Committee

Ms. Choi Yee Man (*Chairman*)
Mr. Lee Man To
Dr. Zhang Shengdong^{Note 4}
Ms. Zhuge Chang^{Note 3}

Notes:

1. Resigned on 15 January 2019
2. Appointed on 15 January 2019
3. Resigned on 4 March 2019
4. Appointed on 4 March 2019
5. Appointed on 25 April 2019
6. Resigned on 3 July 2019
7. Appointed on 3 July 2019
8. Appointed on 13 September 2019

COMPANY SECRETARY

Mr. Zhou Danqing^{Note 8}

STOCK CODE

1010

WEBSITE

<http://pacray.com.hk>

AUDITORS

Zenith CPA Limited
Certified Public Accountants

LEGAL ADVISOR

Michael Li & Co.

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PacRay International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) is principally engaged in the design and sales of integrated circuits and semi-conductor parts in People’s Republic of China (the “**PRC**”), Hong Kong and Taiwan; research and development in software and hardware integration services for real time 2D-3D conversion display products in PRC; financial leasing in the PRC, money lending in Hong Kong, luxury yachts business and aircrafts business management and investment holding.

During the period of the six months ended 30 June 2019, despite the uncertain and volatile global macro-economic environment, the PRC continues to maintain a moderate growth under the world’s spotlight. Overall, the period is full of challenges, so the Group’s performance is less than expected.

Design and distribution of integrated circuit and semi-conductor parts

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

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

For the six months ended 30 June 2019, our operations recorded a revenue of approximately HK\$14 million, a decrease of approximately HK\$9 million as compared to corresponding period last year. As the Sino-US trade war continued and the US dollars appreciated by approximately 8% for the year as compared to the corresponding period last year, the cost of raw material – silicon wafers (US dollar settlement) and staff cost increased, which made the Company’s operating pressure doubled.

There are mainly two types of products in our operation: caliper and microcontroller unit (“**MCU**”), each of the products has approximately 10 different models. The total product mix between caliper and MCU during the period remains stable, approximately 65% (2018: 71%) and 35% (2018: 29%) of the revenue were generated from the caliper and MCU respectively. Our caliper sales maintains consistent growth while MCU sales grows significantly for the six months ended 30 June 2019. These organic growths were mainly due to the satisfactory feedbacks from customers on the stability of our products compared with our competitors.

Research and development in software and hardware integration services for real time 2D-3D conversion display products

Upon the completion to the possible acquisition of the majority equity interest of Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司) (“**Shenzhen Qiping**”) and its subsidiary, Shenzhen Qiping Telecommunication Technology Company Limited* (深圳奇屏通訊科技有限公司) (“**Qiping Telecommunication**”) (collectively the “**Shenzhen Qiping Group**”) in January 2019, the Group expands its offerings to the hardware and software integration services for real time 2D-3D conversion display products, and tap into the high-tech industry for our core business.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

Shenzhen Qiping is a technology service company principally engaged in the research and development in real time 2D-3D conversion display products, while Qiping Telecommunication mainly engaged in sale and provide maintenance services for integrated real time 2D-3D conversion display system on tablet computer, electronic products, digital products, cellphone batteries, wireless data terminal and cellphone accessories with maintenance services to end user.

For the six months ended 30 June 2019, the operations recorded a revenue of approximately HK\$0.5 million (2018: Nil), representing 2% (2018: Nil) of total revenue during the period.

Financial leasing in the PRC

Wit Sky Limited is the holding company of Solomon International Leasing (Tianjin) Company Limited* (“**Solomon**”) which is principally engaged in industrial equipment, medical equipment, transportation equipment (aircraft, ships, vehicles, etc.), household products, product upstream and downstream supply chain and various types of financial leasing such as direct leasing, sublease, hire purchase, leveraged leasing, entrusted leasing and joint leasing the sale and dealing of the residual value of lease items and leasing consultation business.

For the six months ended 30 June 2019, the Group recorded a revenue of HK\$0.05 million (2018: HK\$0.1 million) deriving from its financial leasing businesses in the PRC.

Money lending in Hong Kong

A money lenders licence valid for 12 months has been granted by the Licensing Court to Wellba Investment Limited (裕霸投資有限公司), a subsidiary of the Company, under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the “**Money Lenders Ordinance**”) on 11 December 2018, which will remain valid until 12 December 2019.

For the six months ended 30 June 2019, the Group did not record any new entries from the money lender license. (31 December 2018: approximately HK\$2 million).

Sales and distribution of construction materials

In 2019, the revenue generated from the Company’s original sales and distribution of construction materials business was nil (2018: HK\$12.6 million) as the continued weakness of this business.

Aircraft business management

International Business Aviation (Hong Kong) Limited (香港國際公務航空有限公司) (“**IBA HK**”) (formerly known as Rockey Company Limited), a subsidiary of the Company, completed the change of its company name in May 2019. On the basis of the original business, the Group’s businesses has expanded through business aircraft management and related operation services. On 1 May 2019, IBA HK entered into a business aircraft entrusted management contract with aircraft owners in respect of three private business aircrafts, which is registered by Federal Aviation Administration (FAA). Hence, the business aircraft service has been launched formally by IBA HK. With the efforts of the management team of the Group, the Group’s business aircraft service has been running smoothly and making profitable through the two months of May and June. The main revenue comprises of business aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee, etc.

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$5.9 million (2018: Nil).

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

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

Design and distribution of integrated circuit and semi-conductor parts

Despite concerns over the future of international trade policies given the current political battle of trade relations between the United States of America and the PRC and the slowdown of PRC's economy growth to a single-digit percentile in 2019, the growth of our business has become increasingly challenging. The two main issues of our operation are: scalability and diversification. We shall carry on our effort to improve the existing products over our competitors both in terms of performance as well as price. Meanwhile, we devote to expanding other product lines, exploring new sales and distribution channels in order to diversify our revenue sources.

Research and development in software and hardware integration services for real time 2D-3D conversion display products

The acquisition of Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司) was completed in January 2019. The Group believes that the acquisition is beneficial for expanding the software and hardware integration service for the Group's real-time 2D to 3D display products and provides a good opportunity for the Group's core business penetrating into the high-tech sector and will broaden the revenue base of the Group.

Financial leasing in the PRC

The Group has been in constant discussions with local management of Wit Sky Group on Solomon's business development and planning of financial leasing projects in the PRC going forward.

Aircraft business management

The Company management will continue to explore business opportunities relating to business aviation, including but not limited to business aircraft management, aircraft sales service and pilot training service. The Group has negotiated with certain potential customers in respect of business jet management and aircraft leasing.

Luxury yacht business

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

The luxury yacht business and the aircraft business management will further diversify the business units of the Group. The Board expects that the luxury yacht business and aircraft business management will broaden the Group's revenue source and bring better return to the shareholders of the Company.

Investment holding

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Other Business and Investment Opportunities

As at 30 June 2019, the Group will continue to exercise prudence and to look for new business and investment opportunities, with the aim of improving the Group's value in order to benefit our shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group achieved a revenue of HK\$20.4 million, representing an decrease of approximately HK\$15.4 million, which was principally due to the business operations of the Group's design and distribution of integrated circuit and semiconductor parts as a result of (i) the decrease in gross margin because of the reduction of orders due to tariff issues caused by the Sino-US trade dispute; (ii) the rising costs due to the raw materials to be settled in US\$ as the RMB depreciated as compared with the corresponding period last year; and (iii) the increase in management costs and the decline in net profit due to the rise in office rents, property management fees, employee salaries, and social security contribution. Loss attributable to owners of the Company for the six months ended 30 June 2019 is HK\$8.7 million, as compared to HK\$5.8 million for the corresponding period of last year. The increase was mainly attributable to increase in general and administrative expenses on staff costs and legal and professional fees during the period. Basic loss per share attributable to owners of the Company is HK2.58 cents, as compared to HK1.73 cents for the corresponding period of last year.

Revenue

Revenue of the Group decreased by approximately HK\$15.4 million (2018: increase of approximately HK\$24.3 million). Such decrease was principally due to (i) the increase in management costs; (ii) the decrease of orders from customers as compared with the corresponding period last year; and (iii) the rising costs owing to foreign exchange fluctuation resulting from the Sino-US trade dispute.

In particular, since 20 May 2019, the aircrafts business management and operation services have been incorporated. The new management team of the Group has established two operational channels in Hong Kong and the PRC, respectively. The revenue was derived from the new revenue stream of approximately HK\$5.9 million contributed to the Group for the period (2018: Nil).

Cost of sales

Cost of sales for the six months ended 30 June 2019 decreased by HK\$15 million when compared with that of the corresponding period of last year. The decrease was mainly due to the decrease in sales orders from customers.

Other income

Other income mainly comprised of interest income received by the Company during the period. Increase was mainly due to the decrease in interest income received from the Company's loans receivables of approximately HK\$0.7 million (2018: HK\$0.9 million) during the period.

Other gains, net

Other gains for the six months ended 30 June 2019 mainly represented realised gains of approximately HK\$2.3 million (2018: HK\$0.6 million) received from the Company's disposals of financial assets at fair value through other comprehensive income during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Operating expenses increase to HK\$20.7 million in the six months ended 30 June 2019 (2018: HK\$15.5 million) which were mainly comprised of increase to employee benefit expenses (including directors' emoluments) and legal and professional fees amounted to HK\$8.7 million (2018: HK\$8.9 million) and HK\$1.8 million (2018: HK\$5.9 million) respectively during the period.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the cash and cash equivalents of the Group amounted to approximately HK\$15.1 million as compared to approximately HK\$25.6 million as at 31 December 2018, which included short-term bank deposits of approximately HK\$15.0 million (31 December 2018: HK\$25.6 million).

As at 30 June 2019, the Group had no outstanding bank loan and no financing cost was incurred for the period (2018: Nil).

GEARING RATIO

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total of equity and liabilities, was approximately 29.57% as at 30 June 2019 (31 December 2018: approximately 3.76%).

FOREIGN CURRENCY EXPOSURE

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

CAPITAL STRUCTURE

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

As at 30 June 2019, the Group had no bank borrowings (31 December 2018: Nil). As at 30 June 2019, the shareholders' fund amounted to approximately HK\$110.0 million (31 December 2018: approximately HK\$118.3 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK\$0.2 million for the six months ended 30 June 2019 (2018: approximately HK\$1.8 million).

As at 30 June 2019, the Group did not hold any shares on ChipMOS Taiwan ADS (31 December 2018: 10,284 ChipMOS Taiwan ADS and its quoted market price was US\$16.84 per ADS).

As at 30 June 2019, the Group also held shares of a Hong Kong listed company amounted to approximately HK\$3.1 million (31 December 2018: HK\$0.8 million).

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not have any pledge of assets (31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(i) Disposal of ChipMOS Taiwan ADS

As at 1 January 2019, the Group held 10,284 ChipMOS Technologies Inc. (“**ChipMOS Taiwan**”) American depository shares (“**ChipMOS Taiwan ADS**”), which is listed on the NASDAQ Global Select Market (ticker symbol “**IMOS**”), and the quoted market of ChipMOS Taiwan ADS was approximately US\$16.84 per ADS.

On 7 March 2019, the Group disposed all of its remaining 10,284 ChipMOS Taiwan ADS at the prevailing market price of US\$16.881 per ChipMOS Taiwan ADS.

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

On 9 November 2018, the Group announced a possible acquisition of the majority equity interest of Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司), a company incorporated in the PRC with limited liability (“**Target Company**”). The Target Company is a technology service company and is principally engaged in providing software and hardware integration services for real time 2D-3D conversion display products.

On 21 November 2018, Yunrui Technology (Shenzhen) Company Limited* (隼睿科技(深圳)有限公司) (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, entered into (i) the Equity Transfer Agreement with Shenzhen Kuyin Culture Communication Company Limited* (深圳酷音文化传播有限公司) (“**Vendor A**”) and Ms. Li Qiuchen (李秋晨) (“**Vendor B**”) (the collectively “**Vendors**”) and the Target Company, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the 70% equity interest in the Target Company, for an aggregate consideration of RMB2 million in cash; and (ii) the Shareholders’ Agreement with the Vendor A, the Existing Shareholder and the Target Company in relation to the operation and management of the Target Company (the “**Acquisition Qiping**”).

All conditions to Equity Transfer Agreement were fulfilled and completion of the Acquisition Qiping (the “**Completion**”) in January 2019. Following the completion of the Acquisition Qiping, Shenzhen Qiping become an indirect non wholly-owned subsidiary of the Group.

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

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Discloseable transaction in relation to lease agreement

On 21 June 2019 (after trading hours), the Company as the Tenant entered into the Lease Agreement with the Landlord in respect of the lease of the Premises for a term of 2 years commencing from 3 June 2019 to 2 June 2021 (both days inclusive) for use as office premises of the Group.

Upon implementation of HKFRS 16 effective from 1 January 2019, any listed companies entering into lease transaction as a lessee should recognise the right-of-use asset in the consolidated financial statements of the Company according to HKFRS 16. Under the the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the entering into lease transaction by the Group as lessee effective from 1 January 2019 will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the lease transaction contemplated under the Lease Agreement exceed 5% but are less than 25%, such transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above for the Possible Disposals of ChipMOS Taiwan ADS and the Completion of the Acquisition of the majority equity interest in Shenzhen Qiping Technology Company Limited, there was no specific future plan for material investments or capital assets of the Company as at 30 June 2019.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2019 (31 December 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 75 employees (31 December 2018: 56 employees). Total employee benefits expenses, including Directors’ emoluments, amounted to approximately HK\$8.2 million (2018: HK\$22.4 million) for the period.

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and Chief Executive of the Company) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

Name of shareholders	Capacity	Number of ordinary shares/Percentage of total issued share capital as at 30 June 2019 (Note 1)						Note
		Long positions	%	Short positions	%	Lending pool	%	
Glory Genius International Holdings Limited	Beneficial owner	146,392,770	43.49%	-	-	-	-	(2)
Mr. Tong Liang	Interest of controlled corporation	146,392,770	43.49%	-	-	-	-	(2)
Vision2000 Venture Ltd.	Beneficial owner	106,043,142	31.51%	-	-	-	-	(3)
Mosel Vitelic Inc.	Interest of controlled corporation	106,043,142	31.51%	-	-	-	-	(3)

Notes:

- (1) Based on 336,587,142 ordinary shares of the Company in issue as at 30 June 2019.
- (2) Glory Genius International Holdings Limited is owned as to 95% by Mr. Tong Liang and 5% by Ms. Chu Yung-Yi. Mr. Tong Liang and Ms. Chu Yung-Yi are therefore deemed to be interested in the shares held by Glory Genius International Holdings Limited.
- (3) The 106,043,142 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Mosel Vitelic Inc. on 27 June 1997, Vision2000 Venture Ltd. is the controlled corporation of Mosel Vitelic Inc. and accordingly, Mosel Vitelic Inc. is deemed to be interested in the 106,043,142 shares of the Company held by Vision2000 Venture Ltd.

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

As at 30 June 2019, none of the Directors nor the chief executives of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules.

Save for those disclosed above, as at 30 June 2019, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

During the period under review and subsequent to the date of the 2018 Annual Report of the Company, the changes in the information of the Directors and Chief executives of the Company as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules were as follows:

- (i) Mr. Liew Fui Kiang has resigned as executive Director and the chairman of the Board and Mr. Yang Lin has been appointed as executive Director and the chairman of the Board with effect from 15 January 2019;
- (ii) Ms. Zhuge Chang has resigned as independent non-executive Director and Dr. Zhang Shengdong has been appointed as independent non-executive Director with effect from 4 March 2019;
- (iii) Mr. Xu Yinsheng has been appointed as executive Director with effect from 25 April 2019, he has resigned as director of Xinjiang Hongkun Engineering Technology Co., Ltd.* (新疆泓坤工程技術股份有限公司) (NEEQ: 833867) with effect from 8 July 2019;
- (iv) Ms. Choi Yee Man has resigned as the company secretary of Teamway International Group Holdings Limited (Stock code: 1239), listed on the Main Board of the Stock Exchange with effect from 17 May 2019; and
- (v) Mr. Wei Xiao has resigned as executive Director but his role as chief executive officer of the Company remains unchanged, and Mr. Liu Shixia has been appointed as executive Director with effect from 3 July 2019.

* *For identification purposes only*

OTHER INFORMATION

AUDIT COMMITTEE

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

REVIEW OF FINANCIAL INFORMATION

The unaudited interim results of the Group for the six months ended 30 June 2019 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2019, the Company has complied with the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and complied with the code provisions contained therein except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 June	
		2019 (Unaudited) HK\$' 000	2018 (Unaudited) HK\$' 000
REVENUE	4	20,385	35,835
Cost of sales		(12,537)	(27,544)
Gross profit		7,848	8,291
Other income	5	821	1,007
Other gains, net	6	2,320	599
Distribution costs		(316)	(120)
General and administrative expenses		(20,650)	(15,420)
LOSS BEFORE TAX	7	(9,977)	(5,643)
Income tax expense	8	325	(175)
LOSS FOR THE PERIOD		(9,652)	(5,818)
Attributable To:			
Owners of the Parent		(8,692)	(5,818)
Non-controlling interest		(960)	–
		(9,652)	(5,818)
		HK cents	HK cents
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	9	(2.58)	(1.73)
Dividends	10	–	–

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
LOSS FOR THE PERIOD	(9,652)	(5,818)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in fair value on financial assets at fair value through other comprehensive income	-	(557)
Release of investment reserve upon disposal of financial assets at fair value through other comprehensive income	-	(691)
Exchange differences on translation	344	(1,571)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	344	(2,819)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	(9,308)	(8,637)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
NON-CURRENT ASSETS			
Property, plant, and equipment	11	4,392	4,428
Finance lease asset		20,477	–
Intangible assets	22	2,144	–
Deferred tax assets		618	619
Financial assets at fair value through other comprehensive income	12	23,196	23,196
Long-term deposits		168	280
Total non-current assets		50,995	28,523
CURRENT ASSETS			
Inventories		14,131	7,142
Trade and bills receivables	13	31,827	24,733
Finance leases receivables		5,765	5,775
Deposits, prepayments and other receivables	14	16,183	9,848
Loans receivables	15	19,020	19,032
Investments at fair value through profit or loss	16	3,120	2,154
Current income tax recoverable		–	159
Cash and cash equivalents		15,132	25,601
Total current assets		105,178	94,444
CURRENT LIABILITIES			
Account payables	17	8,944	361
Finance lease liability		20,478	–
Other payables and accruals	18	17,014	4,251
Income tax payables		(263)	7
Total current liabilities		46,173	4,619
NET CURRENT ASSETS		59,006	89,825
NET ASSETS		110,000	118,348
CAPITAL AND RESERVES			
Share capital	19	134,922	134,922
Other reserves		(1,649)	(1,796)
Accumulated loss		(23,273)	(14,778)
Total equity		110,000	118,348

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital (Unaudited) HK\$' 000	Other reserves (Unaudited) HK\$' 000 (Note 22)	Retained earnings (Unaudited) HK\$' 000	Total (Unaudited) HK\$' 000
Balance at 1 January 2018	<u>134,922</u>	<u>1,886</u>	<u>24,295</u>	<u>161,103</u>
Loss for the period	<u>-</u>	<u>-</u>	<u>(5,818)</u>	<u>(5,818)</u>
Other comprehensive loss				
Changes in fair value on financial assets at fair value through other comprehensive income	-	(557)	-	(557)
Release of investment reserve upon disposal of financial assets at fair value through other comprehensive income	(691)	(691)	-	(691)
Exchange differences on translation	<u>-</u>	<u>(1,571)</u>	<u>-</u>	<u>(1,571)</u>
Total comprehensive income/(loss) for the period	<u>-</u>	<u>(2,819)</u>	<u>(5,818)</u>	<u>(8,637)</u>
Balance at 30 June 2018	<u>134,922</u>	<u>(933)</u>	<u>18,477</u>	<u>152,466</u>
Balance at 1 January 2019	<u>134,922</u>	<u>(1,796)</u>	<u>(14,778)</u>	<u>118,348</u>
Loss for the period	<u>-</u>	<u>-</u>	<u>(8,692)</u>	<u>(8,692)</u>
Other comprehensive loss				
Changes in fair value on financial assets at fair value through other comprehensive income	-	-	-	-
Release of investment reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	-
Exchange differences on translation	<u>-</u>	<u>344</u>	<u>-</u>	<u>344</u>
Total comprehensive loss for the period	<u>-</u>	<u>344</u>	<u>(8,692)</u>	<u>(8,348)</u>
Balance at 30 June 2019	<u>134,922</u>	<u>(1,452)</u>	<u>(23,470)</u>	<u>110,000</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Net cash (used in)/generated from operating activities	(14,215)	(17,589)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(3,525)	(2,210)
Purchase of investments at fair value through profits or loss	(2,325)	(6,400)
Purchase of items of property, plant and equipment	(36)	(1,803)
Proceeds from disposals of financial assets at fair value through other comprehensive income	1,360	15,962
Proceeds from disposal of investments at fair value through profit or loss	–	5,283
Interests received	768	467
Dividends received	–	–
Net cash inflow from acquisition of subsidiaries	–	1,511
Net cash flows generated from investing activities	(4,408)	12,810
Net (decrease)/increase in cash and cash equivalents	(10,813)	(4,779)
Cash and cash equivalents at 1 January	25,601	43,296
Effect of foreign exchange rate changes, net	(12)	10
Cash and cash equivalents at 30 June	15,132	38,527

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 to as the “**Group**”) are principally engaged in the design and distribution of integrated circuits and semi-conductor parts in the People’s Republic of China (the “**PRC**”), Hong Kong and Taiwan; aircraft business management; financial leasing in the PRC and investments holding.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These unaudited condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements.

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

- HKFRS 16, *Leases*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

HKFRS 16 Leases

The Group has applied HKFRS 16 “Leases” on 1 January 2019. The new standard introduces a comprehensive model for identifying lease arrangements and accounting treatments for lessors and lessees. Once effected, HKFRS 16 will supersede HKAS 17 “Leases” and related interpretations.

HKFRS 16 distinguishes between leases and service contracts based on whether the customer can control the identified assets. In addition to short-term leases and low-value asset leases. The difference between the operating lease and the finance lease is removed from the lessee’s accounting treatment and the lessee is required to recognize the right-of-use asset for all leases. And the corresponding liability model is replaced. The right-of-principal assets are initially measured at cost, and subsequently measured at cost less (with certain exceptions) less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that have not been paid on the date. Thereafter, the lease liability is adjusted for the effects of interest and lease payments and, among other things, lease modifications. For the purpose of cash flow classification, the Group currently presents prepaid lease payments.

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 2018.

4. SEGMENT INFORMATION

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

- (i) design and sales of integrated circuits used in industrial and household measuring tools conducted through the Group’s subsidiary in the PRC, namely Shanghai SyncMOS Semiconductor Company Limited (“**Shanghai SyncMOS**”), Hong Kong and Taiwan;
- (ii) aircraft business management. The Company commenced its operation of the new business in May 2019;
- (iii) sales and distribution of construction materials;
- (iv) corporate administration and investment functions performed by the Hong Kong headquarters; and
- (v) others including research and development in software and hardware integration services for real time 2D-3D conversion display and financial leasing in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

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

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

	Design and sales of integrated circuits (Unaudited) HK\$' 000	Aircraft business management (Unaudited) HK\$' 000	Sales and distribution of construction materials (Unaudited) HK\$' 000	Headquarter (Unaudited) HK\$' 000	Others (Unaudited) HK\$' 000	Total (Unaudited) HK\$' 000
For the six months ended 30 June 2019						
Revenues from external customers	13,998	5,862	-	-	525	20,385
Operating profit/(loss)	1,447	2,847	-	(8,255)	(6,707)	(10,668)
Interest income	-	1	-	690	-	691
Profit/(loss) before income tax	1,447	2,848	-	(7,565)	(6,707)	(9,977)
Income tax expense	325	-	-	-	-	325
Profit/(loss) for the period	1,772	2,848	-	(7,565)	(6,707)	(9,652)
Other segment information:						
Other (losses)/gains – net, included in results for the period	56	2,325	-	(5)	74	2,450
Depreciation and amortisation, included in the results for the period	433	-	-	21	100	554
Capital expenditures	214	-	-	19	-	23
As at 30 June 2019						
Segment assets	20,187	7,345	25,210	103,792	(361)	156,173
Segment liabilities	1,190	3,332	63	22,880	18,708	46,173

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. SEGMENT INFORMATION *(Continued)*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Interest income	691	917
Dividend income	–	–
Sundry income	130	90
	821	1,007

6. OTHER GAINS, NET

Other gains recognised during the period are as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Gains on disposals of financial assets at fair value through other comprehensive income	–	691
Investments at fair value through profit or loss:		
– fair value (losses)/gains, net	2,325	(265)
– gains on disposal	–	348
Exchange losses, net	(5)	(172)
Loss on disposal of property, plant and equipment	–	(3)
	2,320	599

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Cost of inventories sold*	7,404	27,544
Depreciation	544	393
Auditors' remuneration	–	360
Minimum lease payments under operating leases	1,694	1,328
Employee benefit expenses (including directors' remuneration):		
Salaries, allowances and benefits in kind	7,929	8,256
Pension scheme contributions	857	736
	8,786	8,992
Research and development costs	117	28
Dividend income	–	–
Exchange losses, net	(344)	172
Interest income	(691)	(917)
Loss on disposal of property, plant and equipment	–	3
Gains on disposal of investments at fair value through profit or loss	5	(348)
Gains on disposals of financial assets at fair value through other comprehensive income	–	(691)
Fair value losses/(gains) investments at fair value through profit or loss	2,325	265

* Included in "cost of sales" on the face of 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, except for one of the subsidiaries has available tax losses brought forward from prior years to offset the assessable profits generated during the period. Shanghai SyncMOS was registered as a New and High Technology Enterprise during the year ended 31 December 2018 and is subjected to a preferential Corporate Income Tax (“CIT”) rate of 15% (2018: 15%).

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Current – PRC		
Provision for the period	91	246
Over-provision in prior year	(416)	(71)
Total tax charge for the period	(325)	175

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Loss attributable to ordinary equity holders of the parent	<u>(8,692)</u>	<u>(5,818)</u>
	Number of shares	
	For the six months ended 30 June	
	2019	2018
	' 000	' 000
Weighted average number of ordinary shares in issue	<u>336,587</u>	<u>336,587</u>
	HK cents	HK cents
Basic loss per share	<u>(2.58)</u>	<u>(1.73)</u>

(b) Diluted

The Company has not issued any potentially dilutive ordinary shares during the period ended 30 June 2019 and 2018.

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 2019 (2018: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2019, the Group acquired assets with total cost of HK\$0.2 million (six months ended 30 June 2018: HK\$1.8 million) excluding items acquired through business combination.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Unlisted equity investment Cornerstone Securities Limited	23,196	23,196

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Trade receivables	32,669	25,572
Bills receivables	1,500	1,626
Less: allowance for impairment of receivables	(2,342)	(2,465)
Trade and bills receivables	31,827	24,733

Trade receivables

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

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Within 1 month	7,194	690
More than 1 month but less than 3 months	2,032	1,394
More than 3 months but less than 6 months	95	20,877
Over 6 months	20,916	146
	30,327	23,107

The Group's credit terms to trade debtors range from 30 to 90 days (31 December 2018: 30 to 90 days).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13. TRADE AND BILLS RECEIVABLES *(Continued)*

Bills receivables

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

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Within 1 month	300	–
More than 1 month but less than 3 months	850	1,093
More than 3 months but less than 6 months	350	533
	1,500	1,626

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Deposits	5,745	3,812
Prepayments	9,861	3,267
Proceeds receivable from derecognition of investments at fair value through profit or loss	–	3,049
Other receivables (Note)	745	–
	16,351	10,128
Less: non-current portion – long-term deposits	(168)	(280)
Current portion	16,183	9,848

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. LOANS RECEIVABLES

Loans are unsecured, fixed interest rates of 10% per annum (31 December 2018: 10% per annum) and receivables within 1 year.

The loans receivables are denominated in the following currencies:

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
HK\$	19,020	19,032
RMB	—	—
	19,020	19,032

16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Listed equity investments, at market value		
Imperial Pacific International Holdings Limited	3,120	2,154

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. ACCOUNT PAYABLES

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

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Within 1 month	3,338	298
More than 1 month but less than 3 months	5,606	63
	8,944	361

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

18. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
Accrued staff benefits	1,062	3,288
Accrued professional fees	77	792
Advances from customers	38	2
Other payables	15,837	169
	17,014	4,251

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. SHARE CAPITAL

	Number of shares '000	Ordinary shares HK\$'000	Share premium HK\$'000	Total share capital HK\$'000
At 1 January 2018, 31 December 2018 and 30 June 2019	336,587	33,659	101,263	134,922

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

20. ACQUISITION OF A SUBSIDIARY

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

	(Unaudited) HK\$'000
Net assets acquired:	
Property, plant and equipment	305
Cash and bank balances	673
Finance leases receivables	-
Deposits, prepayments and other receivables	10,599
Loan receivables	-
Other payables and accruals	(8,122)
Total identifiable net assets	3,455
Goodwill on acquisition	-
Consideration	2,337

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20. ACQUISITION OF A SUBSIDIARY *(Continued)*

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

	(Unaudited) HK\$' 000
Consideration	2,337
Less: Refundable deposit paid in 2019	(2,337)
Cash and bank balances acquired	673
Net inflow of cash and cash equivalents included in cash flows from investing activities	673

21. OPERATING LEASE COMMITMENTS

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

	30 June 2019 (Unaudited) HK\$' 000	31 December 2018 (Audited) HK\$' 000
– Not later than one year	10,712	1,086
– Later than one year and not later than five years	10,712	187
	21,424	1,273

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22. INTANGIBLE ASSETS

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

	30 June 2019 (Unaudited) HK\$' 000
Intangible assets	<u><u>2,144</u></u>

23. FINANCIAL LEASE ASSETS

The Group has applied HKFRS 16 "Lease" on 1 January 2019. As the application of new standard, the use of right of the office was finally determined as capitalized assets.

	30 June 2019 (Unaudited) HK\$' 000
Financial lease assets	<u><u>20,477</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24. FINANCIAL LEASE LIABILITIES

The remaining contractual maturities for lease liabilities of the Group at as the end of the reporting period are as follows:

	30 June 2019 (Unaudited) HK\$' 000
– Not later than one year	5,843
– Later than one year and not later than five years	<u>14,635</u>
	<u><u>20,478</u></u>

The Group rented the office premises under the lease agreement with a term from one year to three years.

25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated interim financial information, the Group entered into the following material transactions with related parties during the period ended 30 June 2019.

Key management compensation

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$' 000	HK\$' 000
Basic salaries and allowances	<u><u>918</u></u>	<u><u>1,996</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Other than the listed investment of financial assets at fair value through other comprehensive income and investments at fair value through profit or loss as disclosed in notes 12 and 16 to the consolidated financial statements, all financial assets and liabilities of the Group as at 30 June 2019 and 31 December 2018, are loans and receivables, and financial liabilities at amortised cost, respectively.

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

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

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

Fair value hierarchy

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

	Fair value measurement			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	
30 June 2019				
Financial assets at fair value through other comprehensive income:				
Listed equity investments	3,120	-	-	3,120
Unlisted equity investment	-	-	23,196	23,196
Investments at fair value through profit or loss	-	-	-	-
	<u>3,120</u>	<u>-</u>	<u>23,196</u>	<u>26,316</u>
31 December 2018				
Available-for-sale investments:				
Listed equity investments	2,154	-	-	2,154
	<u>2,154</u>	<u>-</u>	<u>-</u>	<u>2,154</u>

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

Fair value hierarchy *(Continued)*

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

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

27. EVENTS AFTER THE REPORTING PERIOD

Sales agency framework cooperation agreement in luxury yacht business

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

28. COMPARATIVE AMOUNTS

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

29. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This condensed consolidated interim financial information was approved and authorized for issue by the Board on 21 August 2019.