



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

(formerly known as PacMOS Technologies Holdings Limited 弘茂科技控股有限公司)
(Incorporated in Bermuda with limited liability)

(Stock Code: 1010)

INTERIM REPORT 2016



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Cheng Chow-Chun (*Chairman*)
 Mr. Lee Chao-Chun (*Chief Executive Officer*)
 Mr. Sun Tao-Heng
 Mr. Yuan Chun-Tang

Independent Non-executive Directors

Mr. Li Kwan In
 Mr. Suen Sai Wah Simon
 Mr. Wang Chiang-Ming

Board Committees

Audit Committee

Mr. Suen Sai Wah Simon (*Chairman*)
 Mr. Li Kwan In
 Mr. Wang Chiang-Ming

Remuneration Committee

Mr. Suen Sai Wah Simon (*Chairman*)
 Mr. Wang Chiang-Ming

Nomination Committee

Mr. Suen Sai Wah Simon (*Chairman*)
 Mr. Wang Chiang-Ming

Company Secretary

Ms. Yuen Wing Yan, Winnie (*FCIS, FCS*)

Stock Code

1010

Website

<http://pacray.com.hk>

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisor

King & Wood Mallesons

Principal Bankers

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

Registered Office

Canon's Court
 22 Victoria Street
 Hamilton HM12
 Bermuda

Principal Place of Business In Hong Kong

Unit 408, 4/F., Nan Fung Tower
 88 Connaught Road Central
 Hong Kong

Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
 The Belvedere Building
 69 Pitts Bay Road
 Pembroke HM08
 Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
 Level 22, Hopewell Centre
 183 Queen's Road East, Hong Kong

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|---------------------------------|
| | | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Revenue | 4 | 7,546 | 6,887 |
| Cost of sales | 7 | (2,989) | (2,511) |
| Gross profit | | 4,557 | 4,376 |
| Distribution costs | 7 | (36) | (37) |
| General and administrative expenses | 7 | (8,022) | (10,352) |
| Other income | 5 | 303 | 182 |
| Other losses, net | 6 | (6,078) | (5,385) |
| Loss before income tax | | (9,276) | (11,216) |
| Income tax expense | 8 | (82) | (57) |
| Loss for the period attributable to owners of the Company | | (9,358) | (11,273) |
| Loss per share attributable to owners of the Company | | HK cents | HK cents |
| — Basic and diluted | 9 | (2.78) | (3.35) |
| Dividends | 10 | — | — |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Loss for the period | (9,358) | (11,273) |
| Other comprehensive loss | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation differences | (246) | 35 |
| Total comprehensive loss for the period attributable to owners of the Company | (9,604) | (11,238) |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

| | | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|--|-------------|--|--|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant, and equipment | 11 | 2,547 | 2,560 |
| Intangible assets | | – | – |
| Long-term deposits | | 185 | 516 |
| Deferred income tax assets | | 530 | 542 |
| | | 3,262 | 3,618 |
| Current assets | | | |
| Inventories | | 3,554 | 3,365 |
| Trade and bills receivables | 12 | 3,917 | 2,977 |
| Deposits, prepayments and other receivables | | 1,175 | 1,100 |
| Amount due from a related party | 18(b) | 3 | 3 |
| Financial assets at fair value through profit or loss | 13 | 65,135 | 71,256 |
| Current income tax assets | | – | 58 |
| Cash and cash equivalents | 14 | 84,070 | 87,791 |
| | | 157,854 | 166,550 |
| Total assets | | 161,116 | 170,168 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 134,922 | 134,922 |
| Other reserves | | 299 | 545 |
| Retained earnings | | 22,617 | 31,975 |
| Total equity | | 157,838 | 167,442 |

| | | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|-------------------------------------|-------------|--|--|
| | <i>Note</i> | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 16 | 13 | 91 |
| Other payables and accruals | | 3,265 | 2,635 |
| | | 3,278 | 2,726 |
| Total liabilities | | 3,278 | 2,726 |
| Total equity and liabilities | | 161,116 | 170,168 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | |
|---|---------------------------------------|-------------------------|-------------------------|-------------------------|
| | Share capital | Exchange reserve | Retained earnings | Total equity |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| At 1 January 2015 | 134,922 | 1,115 | 57,228 | 193,265 |
| Loss for the period | – | – | (11,273) | (11,273) |
| Currency translation differences | – | 35 | – | 35 |
| Total comprehensive loss for the period | – | 35 | (11,273) | (11,238) |
| At 30 June 2015 | 134,922 | 1,150 | 45,955 | 182,027 |
| At 1 January 2016 | 134,922 | 545 | 31,975 | 167,442 |
| Loss for the period | – | – | (9,358) | (9,358) |
| Currency translation differences | – | (246) | – | (246) |
| Total comprehensive loss for the period | – | (246) | (9,358) | (9,604) |
| At 30 June 2016 | 134,922 | 299 | 22,617 | 157,838 |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Net cash outflow from operating activities | (3,362) | (8,267) |
| Net cash (outflow)/inflow from investing activities | (102) | 48,846 |
| Net (decrease)/increase in cash and cash equivalents | (3,464) | 40,579 |
| Cash and cash equivalents at 1 January | 87,791 | 53,326 |
| Exchange (losses)/gains on cash and cash equivalents | (257) | 59 |
| Cash and cash equivalents at 30 June | 84,070 | 93,964 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements 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 on the Stock Exchange (the “Listing Rules”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015. The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the year ended 31 December 2015, except for the adoption of amendments to Hong Kong Financial Reporting Standards effective for the financial year ending 31 December 2016.

The financial information relating to the year ended 31 December 2015 that is included in these interim financial statements for the six months ended 30 June 2016 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements.

The condensed consolidated financial statements have not been audited by the Company’s independent auditors, but have been reviewed and commented on by the Company’s audit committee.

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”). The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, as the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group. Amendments to Hong Kong Financial Reporting Standards effective for the accounting period beginning on or after 1 January 2016 do not have a material impact on the Group.

2. ESTIMATES

The preparation of interim financial statements 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 statements, 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 2015.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

3.2 Liquidity risk

Compared to year ended 31 December 2015, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2016.

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Assets | | | | |
| Financial assets at fair value through profit or loss | 65,135 | - | - | 65,135 |

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|-------------------|
| Assets | | | | |
| Financial assets at fair value through profit or loss | 71,256 | - | - | 71,256 |

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

4. SEGMENT INFORMATION

The Group is principally engaged in the design, distribution and trading of integrated circuits and semi-conductor parts in the PRC, and investment holding.

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

- (i) corporate administration and investment functions performed by the Hong Kong headquarter; and
- (ii) 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").

These operating segments are the basis on which the Group reports its primary segment information to the chief operating decision maker who is the Chairman of the Board.

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

| | Hong Kong (Unaudited) HK\$'000 | PRC (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|--|--------------------------------------|--------------------------------|----------------------------------|
| Six months ended 30 June 2016 | | | |
| Revenue from external customers | – | 7,546 | 7,546 |
| Operating (loss)/profit | (9,995) | 528 | (9,467) |
| (Loss)/profit for the period | (9,812) | 454 | (9,358) |
| Other losses, net included in operating profit | (6,069) | (9) | (6,078) |
| Capital expenditures | 9 | 303 | 312 |
| At 30 June 2016 | | | |
| Segment assets | 149,133 | 11,983 | 161,116 |
| Segment liabilities | 2,123 | 1,155 | 3,278 |
| | Hong Kong (Unaudited) HK\$'000 | PRC (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
| Six months ended 30 June 2015 | | | |
| Revenue from external customers | – | 6,887 | 6,887 |
| Operating (loss)/profit | (11,730) | 381 | (11,349) |
| (Loss)/profit for the period | (11,597) | 324 | (11,273) |
| Other losses, net included in operating profit | (5,379) | (6) | (5,385) |
| Capital expenditures | – | 144 | 144 |
| At 31 December 2015 | | | |
| Segment assets | 158,139 | 12,029 | 170,168 |
| Segment liabilities | 1,316 | 1,410 | 2,726 |

5. OTHER INCOME

| | For the six months ended 30 June | |
|-----------------|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Interest income | 191 | 133 |
| Dividend income | 28 | 27 |
| Sundry income | 84 | 22 |
| | 303 | 182 |

6. OTHER LOSSES, NET

Other losses recognised during the period are as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Financial assets at fair value through profit or loss: | | |
| — unrealised fair value losses | (6,200) | (5,311) |
| — realised losses | — | (38) |
| Exchange gains/(losses), net | 122 | (36) |
| Other losses, net | (6,078) | (5,385) |

7. EXPENSES BY NATURE

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Auditors' remuneration | | |
| — audit services | 387 | 388 |
| — non-audit services | — | — |
| Cost of inventories sold | 2,989 | 2,511 |
| Depreciation of property, plant and equipment | 269 | 357 |
| Employee benefit expenses (including directors' emoluments) | 3,857 | 4,548 |
| Legal and professional fee | 1,161 | 2,895 |
| Marketing costs | 36 | 37 |
| Operating lease rentals in respect of properties | 822 | 1,319 |
| Research and development costs | 48 | 13 |
| Other expenses | 1,478 | 832 |
| Total cost of sales, distribution costs and general and administrative expenses | 11,047 | 12,900 |

8. INCOME TAX

The Company is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profit for the period for its subsidiaries in Hong Kong. According to the relevant PRC tax regulations, Shanghai SyncMOS, being qualified as a New and High Technology Enterprise during the year ended 31 December 2015, is entitled to a preferential Corporate Income Tax ("CIT") rate of 15% (six months ended 30 June 2015: 15%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates prevailing in the countries in which the Group operates.

| | For the six months ended 30 June | |
|-----------------------------------|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Current income tax — overseas tax | (82) | (57) |

9. LOSS PER SHARE

(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 | |
|---|-------------------------------------|---------------------------------|
| | 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
| Loss attributable to owners of the Company | (9,358) | (11,273) |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 336,587 | 336,587 |
| | HK cents | HK cents |
| Basic loss per share | (2.78) | (3.35) |

(b) Diluted

Diluted loss per share is the same as the basic loss per share since the Company does not have any potential dilutive ordinary shares.

10. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

| | (Unaudited) HK\$'000 |
|--|-------------------------|
| Opening net book amount as at 1 January 2015 | 3,112 |
| Additions | 144 |
| Depreciation | (357) |
| Exchange differences | 7 |
| Closing net book amount as at 30 June 2015 | 2,906 |

| | (Unaudited) HK\$'000 |
|--|-------------------------|
| Opening net book amount as at 1 January 2016 | 2,560 |
| Additions | 312 |
| Depreciation | (269) |
| Exchange differences | (56) |
| Closing net book amount as at 30 June 2016 | 2,547 |

12. TRADE AND BILLS RECEIVABLES

The Group's credit terms to trade debtors range from 30 to 60 days. The ageing analysis of trade receivables based on due date is as follows:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|--------------|--|--|
| 1 – 30 days | 345 | 344 |
| 31 – 90 days | 777 | 268 |
| Over 90 days | 4 | 125 |
| | 1,126 | 737 |

As at 30 June 2016, bills receivables of HK\$2,791,000 (31 December 2015: HK\$2,240,000) will mature as follows:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|---------------|--|--|
| 0–30 days | 701 | 615 |
| 31–90 days | 934 | 753 |
| 91–180 days | 1,156 | 860 |
| Over 180 days | – | 12 |
| | 2,791 | 2,240 |

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|------------------------------------|--|--|
| Listed securities-held-for-trading | | |
| — The United States of America | 64,589 | 70,541 |
| — Hong Kong | 546 | 715 |
| | 65,135 | 71,256 |

The fair value of all equity securities is based on their current bid prices in active markets.

As at 30 June 2016, the carrying amount of the Group's interests in the shares of ChipMOS Technologies (Bermuda) Ltd. ("ChipMOS") represented 40% (31 December 2015: 41%) of the total assets of the Group.

| Name | Place of incorporation | Principal activities | Particulars of issued shares held | Interest held |
|---------|------------------------|---|---|---|
| ChipMOS | Bermuda | Provision of semi-conductor testing and packaging solutions to fabless companies, integrated device manufacturers and foundries | Issued capital of US\$1.2 million par value of US\$0.04 per share | 459,678 common shares, representing 1.7% of issued share capital of ChipMOS |

The quoted market price of ChipMOS as at 19 August 2016 was approximately US\$19.93.

14. CASH AND CASH EQUIVALENTS

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|--|--|--|
| Cash at bank | 6,436 | 4,758 |
| Term deposits with original maturities of three months or less | 77,620 | 83,029 |
| Cash on hand | 14 | 4 |
| Cash and cash equivalents | 84,070 | 87,791 |

15. SHARE CAPITAL

| | Number of shares (Thousands) | Ordinary shares HK\$'000 | Share premium HK\$'000 | Total share capital HK\$'000 |
|--|---|---|---------------------------------------|---|
| At 1 January 2015, 31 December 2015 and 30 June 2016 | 336,587 | 33,659 | 101,263 | 134,922 |

The total authorised number of ordinary shares is 1,000 million shares (31 December 2015: 1,000 million shares) with a par value of HK\$0.1 per share (31 December 2015: HK\$0.1 per share). All issued shares are fully paid.

16. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|-----------|--|--|
| 0–30 days | 13 | 91 |

17. OPERATING LEASE COMMITMENTS

As at 30 June 2016, the future aggregate minimum lease payments for office premises under non-cancellable operating leases are as follows:

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|---|--|--|
| — Not later than one year | 1,568 | 1,612 |
| — Later than one year and not later than five years | 1,074 | 1,915 |
| | 2,642 | 3,527 |

18. RELATED PARTY TRANSACTIONS

The Directors regard Pacific Electric Wire and Cable Company (“PEWC”), a public company incorporated in Taiwan, as the ultimate holding company of the Company.

(a) Key management compensation

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

| | For the six months ended 30 June 2016 (Unaudited) HK\$'000 | 2015 (Unaudited) HK\$'000 |
|-------------------------------|---|---------------------------------|
| Basic salaries and allowances | 1,070 | 1,107 |
| Bonuses | – | – |
| | 1,070 | 1,107 |

(b) Period end balances arising from expenses paid on behalf

| | 30 June 2016 (Unaudited) HK\$'000 | 31 December 2015 (Audited) HK\$'000 |
|--|--|--|
| Amount due from Mosel Vitelic Inc. (“MVI”), a related company | 3 | 3 |

The amount due from MVI, a related company is unsecured, interest-free and repayable on demand.

RESULTS

During the six months ended 30 June 2016, the Group achieved a revenue of approximately HK\$7.5 million, representing an increase of approximately 9.57% as compared to the corresponding period last year. The loss attributable to owners of the Company was approximately HK\$9.4 million, as compared to HK\$11.3 million in the corresponding period last year.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil).

BUSINESS REVIEW

Design and distribution of integrated circuit and semi-conductor parts

For the six months ended 30 June 2016, our operation in Shanghai recorded a revenue of approximately HK\$7.5 million, an increase of approximately 9.57% as compared to the corresponding period last year. The gross profit margin of our operation in Shanghai was approximately 60% (2015: approximately 64%). For the period under review, the operation in Shanghai recorded a net profit of approximately HK\$454,000, an increase of approximately 40% as compared to the corresponding period last year. (2015: approximately HK\$324,000). The increase in net profit was mainly due to reduction in operating cost. The Group continues to focus on strengthening our existing products and to develop new products.

Investment holding

As at 30 June 2016, the Group held approximately 459,678 common shares of ChipMOS, a company listed on the NASDAQ Stock Market (stock code: IMOS). ChipMOS is a leading provider of semi-conductor testing and assembly services to customers in Taiwan, Japan and the United States of America.

There was no share disposal of ChipMOS during the period under review.

As at 30 June 2016, the quoted market price of ChipMOS was approximately US\$18.11 per share, as compared to approximately US\$19.80 per share as at 31 December 2015. An unrealised loss of approximately HK\$6.0 million was recorded during the period under review due to mark-to-market valuation of the shares.

The quoted market price of ChipMOS as at 19 August 2016 was approximately US\$19.93 per share.

In July 2016, the Group received a notice of annual general meeting (the “AGM”) from ChipMOS in relation to the proposed merger (the “Merger”) of ChipMOS with ChipMOS Technologies Inc. (“ChipMOS Taiwan”, Taiwan Stock Exchange: 8150), a company limited by shares incorporated under the laws of the Republic of China and a 58.3% directly owned subsidiary of ChipMOS as of 21 January 2016. ChipMOS Taiwan will be the surviving company after the Merger. As a result of the Merger, any ChipMOS shares issued and outstanding immediately prior to the effective time of the Merger will be cancelled and, in exchange, each former holder of such cancelled ChipMOS shares shall be entitled to receive, with respect to each such ChipMOS share (i) 0.9355 ChipMOS Taiwan American depository shares (“ChipMOS Taiwan ADS”), with each ChipMOS Taiwan ADS representing 20 ChipMOS Taiwan shares; and (ii) US\$3.71 in cash. Upon completion of the Merger, ChipMOS Taiwan and its subsidiaries will own and continue to conduct the business that they currently conduct in substantially the same manner.

According to the publication available on the website of NASDAQ, the shareholders of ChipMOS have approved the Merger at the AGM held on 12 August 2016. The Merger is conditional and is subject to all governmental and regulatory approvals. Both ChipMOS and ChipMOS Taiwan expect to close the Merger by 31 October 2016. Upon completion of the Merger, it is expected that the Group will receive approximately US\$1.7 million in cash and approximately 430,000 ChipMOS Taiwan ADS in exchange for the shares of ChipMOS held by the Group.

Future plans and prospects

Facing economic uncertainties and cost inflation, the Group will continue with its prudent business approach. We will continue to enhance our existing business in the design and trading of integrated circuit products in China. In addition, we will continue to do our best to deploy our strengths and capabilities and to diversify and increase our top-line growth with the aim of improving the Group’s value in order to benefit our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2016, the cash and cash equivalents of the Group amounted to approximately HK\$84.1 million as compared to approximately HK\$87.8 million as at 31 December 2015, which included short-term deposits of approximately HK\$77.6 million (31 December 2015: approximately HK\$83.0 million).

For the six months ended 30 June 2016, the Group recorded a net cash outflow of approximately HK\$3.5 million (six months ended 30 June 2015: net cash inflow of approximately HK\$40.6 million).

As at 30 June 2016, the Group had no outstanding bank loan and no financing cost was incurred for the six months ended 30 June 2016 (2015: Nil).

GEARING RATIO

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total equity and liabilities, was approximately 2.0% as at 30 June 2016 (31 December 2015: 1.6%). The Group did not have any debt financing during the period under review, and no finance cost was incurred. As at 30 June 2016, the total liabilities of the Group were approximately HK\$3.3 million (31 December 2015: approximately HK\$2.7 million).

FOREIGN CURRENCY EXPOSURE

The Group's results were mainly exposed to exchange fluctuations of Renminbi as the Group had operations in the PRC.

For the period under review, a net exchange gain of approximately HK\$122,000 (six months ended 30 June 2015: net loss of approximately HK\$36,000) was recognised in the condensed consolidated interim income statement. Exchange differences, arising upon translation of PRC operations, amounted to approximately HK\$246,000 was debited to the exchange reserve (2015: credit of approximately HK\$35,000).

CAPITAL STRUCTURE

The loss attributable to owners of the Company for the six months ended 30 June 2016 of approximately HK\$9.4 million (six months ended 30 June 2015: approximately HK\$11.3 million) was transferred to retained earnings of the Group. There was no change in the capital of the Company for the six months ended 30 June 2016. As at 30 June 2016, the shareholders' fund amounted to approximately HK\$157.8 million (31 December 2015: approximately HK\$167.4 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK\$312,000 for the six months ended 30 June 2016 (2015: approximately HK\$144,000).

As at 30 June 2016, the Group held approximately 459,678 shares of ChipMOS and its quoted market price was US\$18.11 per share. On 19 August 2016, the quoted market price of ChipMOS was US\$19.93 per share.

As at 30 June 2016, the Group also held shares of a Hong Kong listed company amounted to approximately HK\$0.5 million (31 December 2015: approximately HK\$0.7 million).

CHARGE ON ASSETS

As at 30 June 2016, there were no charges on the Group's assets.

SEGMENT INFORMATION

For the period under review, the Hong Kong and PRC segments contributed mainly to the Group's business operation. Due to slow economic growth in China, the operating environment remained challenging. Despite this, our operation in Shanghai recorded a steady growth in revenue of approximately 9.57% as compared to the same period last year. The gross profit margin of our operation in Shanghai was approximately 60% (2015: approximately 64%).

HUMAN RESOURCES

As at 30 June 2016, the Group had 29 employees.

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.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 30 June 2016.

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 2016.

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 2016, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company 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 of Hong Kong Limited (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 to the Listing Rules.

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

As at 30 June 2016, 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 2016 (Note 1) | | | | | | | |
|---|------------------------------------|--|-------|-----------------|---|--------------|---|------|--|
| | | Long positions | % | Short positions | % | Lending pool | % | Note | |
| Full Global International Limited | Beneficial owner | 145,609,999 | 43.3% | - | - | - | - | (2) | |
| Pacific Electric Wire & Cable Company Limited | Interest of controlled corporation | 145,609,999 | 43.3% | - | - | - | - | (2) | |
| Vision2000 Venture Ltd. | Beneficial owner | 106,043,142 | 31.5% | - | - | - | - | (3) | |
| Mosel Vitelic Inc. | Interest of controlled corporation | 106,043,142 | 31.5% | - | - | - | - | (3) | |

Notes:

- (1) Based on 336,587,142 ordinary shares of the Company in issue as at 30 June 2016.
- (2) The 145,609,999 shares relate to the same batch of shares of the Company. According to the form of disclosure of interests submitted by Full Global International Limited on 31 May 2012, Full Global International Limited is the controlled corporation of Pacific Electric Wire & Cable Co., Ltd and accordingly, Pacific Electric Wire & Cable Co., Ltd is deemed to be interested in the 145,609,999 shares of the Company held by Full Global International 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.

Save for those disclosed above, as at 30 June 2016, 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.

SUFFICIENCY OF PUBLIC FLOAT

On 19 May 2015, the Company published an announcement disclosing, inter alia, receipt by the Company an application (the "Application") from Texan Management Limited ("Texan") for the issue of 4 replacement shares certificates for the share certificates numbered 91064, 91065, 90986 and 90987 in respect of the 36,024,000 shares (representing 10.7% of the entire issued shares) in the Company (the "Subject Shares"). The Board stated that if such information given by Texan under the Application is true and correct, and therefore the Subject Shares are owned by Texan, the Subject Shares would not be qualified as "public float" under the Listing Rules and thus less than 25% of the issued share capital of the Company would be held in public hands. On 20 May 2015, trading in the shares of the Company was suspended pending the release of an announcement clarifying the shareholding structure of the Company.

Details of public float status of the Company are disclosed in the Company's announcements dated 19 May 2015, 20 May 2015, 9 July 2015, 24 July 2015, 27 August 2015, 7 October 2015, 3 November 2015, 3 December 2015, 11 January 2016, 2 February 2016, 17 March 2016, 19 April 2016, 30 June 2016 and 29 July 2016. The Company will, as and when appropriate, make further announcement to inform its shareholders and potential investors for the development pursuant to the Listing Rules and/or the SFO.

DISCLOSURE OF CHANGE OF INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

During the period under review, there was no change in information of the Directors and chief executives of the Company since the date of the 2015 annual report of the Company which is required to be disclosed pursuant to the Rule 13.51B of the Listing Rules.

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 Audit Committee had reviewed with management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company has applied 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:

Code Provision A.4.1

This code provision stipulates that non-executive Directors should be appointed for a specific term and subject to re-election.

The independent non-executive Directors were not appointed for specific terms but 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 of the Company. 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 Company had adopted the Model Code as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code for the period under review, and they all confirmed their respective full compliance with the required standard set out in the Model Code.

On behalf of the Board
PacRay International Holdings Limited
Cheng Chow-Chun
Chairman

Hong Kong, 22 August 2016