太 睿 國 際 控 股 有 限 公 司

PacRay International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 1010)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of PacRay International Holdings Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively referred hereinafter as the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	*5*	**60,709**	36,580
Cost of sales		**(49,458)**	(23,721)
Gross profit		**11,251**	12,859
Other income and gains/(losses), net		**(3,829)**	7,981
Distribution costs		**(652)**	(259)
General and administrative expenses		**(46,937)**	(23,218)
LOSS BEFORE TAX	*6*	**(40,167)**	(2,637)
Income tax expense	*8*	**(20)**	(49)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(40,187)**	(2,686)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted	*9*	**HK(11.94) cents**	HK(0.80) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(40,187)**	(2,686)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent period:		
Available-for-sale investments:		
Changes in fair value	**–**	14,005
Release of available-for-sale revaluation reserve upon disposal	**–**	(4,420)
	–	9,585
Exchange differences:		
Exchange differences on translation of foreign operations	**(2,764)**	975
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequence periods	**(2,764)**	10,560
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designed at fair value through other comprehensive income:		
Changes in fair value	**196**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(2,568)**	10,560
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**(42,755)**	7,874

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**4,428**	2,508
Goodwill		**–**	–
Deferred tax assets		**619**	479
Equity investments designated at fair value through other comprehensive income		**23,196**	–
Available-for-sale investments		**–**	40,947
Finance lease receivables		**5,775**	–
Rental deposits		**280**	366
Total non-current assets		**34,298**	44,300
CURRENT ASSETS			
Inventories		**7,142**	4,807
Trade and bills receivables	*11*	**24,733**	12,507
Prepayments, other receivables and other assets		**9,848**	43,214
Loans receivables		**19,032**	15,700
Financial assets at fair value through profit or loss		**2,154**	–
Tax recoverable		**159**	327
Cash and cash equivalents		**25,601**	43,296
Total current assets		**88,669**	119,851
CURRENT LIABILITIES			
Trade payables	*12*	**361**	150
Other payables and accruals		**4,251**	2,898
Tax payable		**7**	–
Total current liabilities		**4,619**	3,048
NET CURRENT ASSETS		**84,050**	116,803
NET ASSETS		**118,348**	161,103
Equity			
Share capital		**134,922**	134,922
Other reserves		**(1,796)**	1,886
(Accumulated losses)/retained earnings		**(14,778)**	24,295
Total equity		**118,348**	161,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK (IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for the application of HKFRS 9 and HKFRS 15 noted below, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

HKFRS 9

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively, and has recognised the transition adjustments against the applicable opening balance in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

The table below illustrates the re-classification and re-measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application on 1 January 2018.

	Available-for-sale investments *HK$'000*	Equity investments designated at fair value through other comprehensive income ("FVTOCI") *HK$'000*	Financial assets at fair value through profit or loss ("FVTPL") *HK$'000*	Available-for-sale investment revaluation/ fair value reserve *HK$'000*	Retained earnings *HK$'000*
At 31 December 2017 (As originally presented)					
– HKAS 39	40,947	–	–	1,114	24,295
Effect arising from initial application of HKFRS 9:					
Re-classification					
From available-for-sale investments *(a)*	(40,947)	23,000	17,947	(1,114)	1,114
At 1 January 2018 (Restated)	–	23,000	17,947	–	25,409

(a) Available-for-sale investments

From available-for-sale investments to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$17,947,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The gain on fair value changes of HK$1,114,000 relating to those equity investments previously recognised in AFS revaluation reserve was transferred to retained profits as at 1 January 2018.

From available-for-sale investments to FVTOCI

The Group has elected the option to irrevocably designate of its previous available-for-sale equity investments of HK$23,000,000 as equity investments at FVTOCI.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and finance lease receivables. To measure the ECL, trade and finance lease receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of loan and other receivables, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. The Group considers, the ECL for other financial assets are insignificant as at 1 January 2018.

The Group did not have any significant impact for the re-measurement of provision of ECL against retained profits as at 1 January 2018.

(c) Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be adjusted. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (As originally presented) *HK$'000*	**HKFRS 9** *HK$'000*	**1 January 2018** (Restated) *HK$'000*
Non-current assets			
Available-for-sale investments	40,947	(40,947)	–
Financial assets at FVTPL	–	17,947	17,947
Equity investments designated at FVTOCI	–	23,000	23,000
Equity			
Other reserves	1,886	(1,114)	772
Retained earnings	24,295	1,114	25,409

HKFRS 15

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Revenue are generally recognised at a point in time when the customers obtain possession of and control of the promised goods in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under "Other payables and accruals" as receipts in advance from customers (if any) in the consolidated statement of financial position.

The Group considers that the adoption of HKFRS 15 has no material impact on the Group's financial position and results of operation.

3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Except for the application of new requirement under HKFRS 16 Lease which will result in an increase in both total assets and liabilities of the Group, the Group does not anticipate that the application of other new and revised HKFRSs and Interpretations will have material impact on the consolidated financial statements of the Group.

4 SEGMENT INFORMATION

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

(i) design and sales of integrated circuits and semi-conductor parts used in industrial and household measuring tools;

(ii) provision of finance lease services;

(iii) trading of construction materials; and

(iv) corporate administration and investment functions performed by headquarter.

These main operations are the basis on which the management identifies the primary segment information.

The management regularly reviews the basis in order to make decisions about resources to be allocated to the segment and assess its performance.

	Design and sales of integrated circuits *HK$'000*	Finance lease services *HK$'000*	Trading of construction materials *HK$'000*	Headquarter *HK$'000*	Total *HK$'000*
For the year ended 31 December 2018					
Revenue from external customers	36,447	324	23,938	–	60,709
Operating profit/(loss)	2,619	(8,873)	(2,744)	(33,145)	(42,143)
Interest income	25	383	–	1,568	1,976
Profit/(loss) before income tax	2,644	(8,490)	(2,744)	(31,577)	(40,167)
Other segment information:					
Depreciation	727	30	–	141	898
Impairment of goodwill	–	5,144	–	–	5,144
Provision for inventories	1,070	–	3,112	–	4,182
Impairment of finance lease receivables	–	2,644	–	–	2,644
Impairment of trade receivables	–	–	2,465	–	2,465
Impairment of financial assets included in prepayment, other receivables and other assets	–	1,579	–	3,790	5,369
Fair value loss on financial assets at fair value through profit or loss	–	–	–	947	947
Dividend income	–	–	–	13	13
Capital expenditures	2,114	–	–	841	2,955
As at 31 December 2018					
Segment assets	18,431	17,488	21,074	65,974	122,967
Segment liabilities	1,295	178	63	3,083	4,619

	Design and sales of integrated circuits *HK$'000*	Trading of construction materials *HK$'000*	Headquarter *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017				
Revenue from external customers	36,448	132	–	36,580
Operating profit/(loss)	3,279	52	(6,695)	(3,364)
Interest income	14	–	713	727
Profit/(loss) before income tax	3,293	52	(5,982)	(2,637)
Other segment information:				
Depreciation	535	–	26	561
Gain on disposal of available-for-sales investments	–	–	4,420	4,420
Gain on disposal of financial assets at fair value through profit or loss	–	–	166	166
Dividend income	–	–	2,034	2,034
Capital expenditures	618	–	22	640
As at 31 December 2017				
Segment assets	25,900	10,137	128,114	164,151
Segment liabilities	2,008	–	1,040	3,048

Geographical information

(a) Revenue from external customers

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**33,036**	8,114
PRC	**27,673**	24,606
Taiwan	**–**	3,860
	60,709	36,580

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**24,058**	23,240
PRC	**9,621**	2,634
The United States of America	**–**	17,947
	33,679	43,821

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

During the year ended 31 December 2018, revenue of HK$23,262,000 (2017: HK$29,718,000) was derived from design and sales of integrated circuits to three (2017: five) customers, and HK$23,938,000 (2017: Nil) was derived from trading of construction materials to one (2017: Nil) customer, which individually accounted for over 10% of the Group's total revenue.

	2018 *HK$'000*	2017 *HK$'000*
Customer A	**23,938**	N/A*
Customer B	**9,098**	7,982
Customer C	**7,249**	6,322
Customer D	**6,915**	5,613
Customer E	**N/A***	5,941
Customer F	**N/A***	3,860

* The corresponding revenue of these customers are not disclosed as it individually did not contribute over 10% of the Group's total revenue for the year.

5 REVENUE

Revenue from sales of integrated circuits and construction materials, net of value-add taxes or related sales taxes and discounts, was generally recognised at a point in time when the customer obtain possession of and control of the promised goods in the contract.

Disaggregation of revenue

	2018	2017
	HK$'000	*HK$'000*
Sales of integrated circuits	**36,447**	36,448
Sales of construction materials	**23,938**	132
Finance lease income	**324**	–
	60,709	36,580

6 LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation	**898**	561
Employee benefits expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**20,849**	9,778
Pension scheme contributions	**1,546**	1,259
	22,395	11,037
Impairment of finance lease receivables	**2,644**	–
Impairment of goodwill	**5,144**	–
Impairment of trade receivables	**2,465**	–
Impairment of financial assets included in prepayments, other receivables and other assets	**5,369**	–
Provision for inventories	**4,182**	693
Gain on disposal of financial assets at fair value through profit or loss	**–**	(166)
Gain on disposals of available-for-sale investments	**–**	(4,420)
Fair value loss of financial assets at fair value through profit or loss	**947**	–

7 DIVIDEND

No dividend has been paid or proposed during the year ended 31 December 2018 nor has any dividend been proposed since the end of the reporting period (2017: Nil).

8 INCOME TAX EXPENSE

The Group is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Shanghai SyncMOS was registered as a New and High Technology Enterprise and is subjected to a preferential Corporate Income Tax ("**CIT**") rate of 15% (2017: 15%).

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong	**7**	–
– PRC	**157**	83
Underprovision in prior years – PRC	**27**	–
Deferred	**(171)**	(34)
	20	49

9 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

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

	2018	2017
Loss attributable to owners of the parent	**HK$40,187,000**	HK$2,686,000
Weighted average number of ordinary shares in issue	**336,587,000**	336,587,000
Basic loss per share	**HK(11.94) cents**	HK(0.80) cents

(b) Diluted

The Group has not issued any potentially dilutive ordinary shares during the years ended 31 December 2018 and 2017.

10 PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired property, plant and equipment of HK$2,955,000 (2017: HK$640,000).

11 TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**25,572**	10,346
Less: Impairment	**(2,465)**	–
	23,107	10,346
Bills receivables	**1,626**	2,161
Trade and bills receivables	**24,733**	12,507

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**690**	8,766
More than 1 month but less than 3 months	**1,394**	1,391
More than 3 months	**21,023**	189
	23,107	10,346

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**–**	516
More than 1 month but less than 3 months	**1,093**	985
More than 3 months	**533**	660
	1,626	2,161

12 TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**298**	150
More than 3 months	**63**	–
	361	150

13 BUSINESS COMBINATION

On 28 February 2018, the Group acquired 100% of the equity interest in Wit Sky Limited ("**Wit Sky**", together with its subsidiaries being referred as "**Wit Sky Group**") for a total consideration of HK$30,000,000. Wit Sky is an investment holding company and its subsidiaries are principally engaged in finance lease services in the PRC. The fair value of the identifiable assets and liabilities of Wit Sky Group acquired as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	80
Cash and cash equivalents	1,511
Finance leases receivables	13,283
Prepayments, other receivables and other assets	3,179
Loan receivables	7,381
Other payables and accruals	(578)
Total identifiable net assets at fair value	24,856
Goodwill on acquisition	5,144
Consideration	30,000

* *For identification purposes only*

14 EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2018:

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

The equity transfer agreement dated 21 November 2018 amongst Yunrui Technology (Shenzhen) Company Limited* (蘊睿科技（深圳）有限公司) (an indirect wholly-owned subsidiary of the Group, the "**Purchaser**"), Shenzhen Kuyin Culture Communication Company Limited* (深圳酷音文化傳播有限公司) (the "**Vendor A**") and Ms. Li Qiuchen* (李秋晨) (the "**Vendor B**") (collectively as the "**Vendors**") and Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司) (the "**Target Company**") in relation to, among others, the acquisition of 70% equity interest in the Target Company (the "**Acquisition Qiping**")

In January 2019, the Acquisition Qiping has been completed, the Target Company became an indirect non wholly-owned subsidiary of the Group. After the Completion of the Target Group, the Acquisition Qiping has be held as to 70%, 6% and 24% by the Purchaser, Vendor A and existing shareholder, respectively.

(ii) Disposal of ChipMOS Taiwan ADS

On 7 March 2019, the Group disposal all of its remaining shares of 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 per ChipMOS Taiwan ADS, subject to the approval of the shareholders in the special general meeting held on 12 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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; trading of construction materials; financial leasing in the PRC, money lending in Hong Kong and investment holding.

During the year, despite the uncertain and volatile global macro-economic environment, the PRC continues to be under the world's spotlight and maintains a moderate growth. It was overall a challenging year in 2018, but nevertheless the Group performed better than it did in 2017.

Design and sales of integrated circuit and semi-conductor parts

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

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

For the year ended 31 December 2018, the operation recorded a revenue of approximately HK$36.4 million, which is basically in line with the corresponding period last year, which was due to the management's continuous effort on (i) improving the competitiveness of the products; and (ii) developing new product lines and sales and distribution channels, resulting in a better performance of operations in Shanghai as compared with that of the PRC IC market.

There are mainly two types of products in integrated circuit and semi-conductor parts: caliper and microcontroller unit ("**MCU**"), each of the products has approximately 10 different models. The total product mix between caliper and MCU during the period remains stable, approximately 68% (2017: 70%) and 32% (2017: 30%) of the revenue was generated from the caliper and MCU respectively.

Trading of construction materials

Since the end of 2017, the Group has been exploring the trading of construction materials.

For the year ended 31 December 2018, the operation recorded a revenue of approximately HK$23.9 million (2017: 0.13 million), representing 39% (2017: 0.36%) of total revenue during the year.

Financial leasing in the PRC

The Group entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") for the acquisition of the entire equity interest in Wit Sky Limited ("**Wit Sky**") together with its subsidiaries (collectively, the "**Wit Sky Group**") on 13 November 2017 ("**Acquisition Wit Sky**"). Wit Sky is the holding company of Solomon International Leasing (Tianjin) Company Limited* 索羅門國際租賃（天津）有限公司 ("**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. The Acquisition Wit Sky was completed on 28 February 2018.

Upon the completion of the Acquisition Wit Sky, the Group expands its business to financial leasing in the PRC which will diversify the Group's project base. For the year ended 31 December 2018, the operations recorded a revenue of approximately HK$0.3 million (2017: Nil).

Money lending in Hong Kong

A money lenders licence valid for 12 months has been granted by the Licensing Court to Wellba Investment Limited, 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 year ended 31 December 2018, the Group recorded an interest revenue of approximately 2 million (2017: Nil).

Investment holding

As at 31 December 2017, the Group held 130,262 ChipMOS Technologies Inc. ("**ChipMOS Taiwan**") American depositary shares ("**ChipMOS Taiwan ADS**"), which is listed on the NASDAQ Global Select Market (ticker symbol "**IMOS**").

On 24 January 2018, the Group proposed a possible disposal of an aggregate of 130,362 ChipMOS Taiwan ADS, representing all of its holding of ChipMOS Taiwan ADS (the "**Possible Disposals**"). An ordinary resolution regarding the Possible Disposals was approved by the shareholders of the Company at the special general meeting (the "**SGM**") on 12 March 2018.

Subsequent to the SGM, the Group further disposed 118,262 ChipMOS Taiwan ADS.

As at 31 October 2018, the Group held 12,100 ChipMOS Taiwan ADS. On 30 November 2018, the number of ChipMOS Taiwan ADS held by the Group was reduced from 12,100 to 10,284 due to the capital reduction plan of ChipMOS Technologies Inc.

As at 31 December 2018, the Group held 10,284 ChipMOS Taiwan ADS and the quoted market of ChipMOS Taiwan ADS was approximately US$16.84 per ADS. A fair value loss of approximately HK$0.6 million was debited to other losses due to mark-to-market valuation of such ChipMOS Taiwan ADS held for the period.

* *For identification purposes only*

On 7 March 2019, the Company disposed all of its remaining 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 per ChipMOS Taiwan ADS, subject to the restrictions approved by shareholders in the SGM.

BUSINESS OUTLOOK

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

Design and sales of integrated circuit and semi-conductor parts

In view of the increasing uncertainties reflecting the global economic environment and changes in China's economic environment, the business growth has become increasingly challenging for our operation. The two main issues of operation are: scalability and diversification. The management shall carry on tremendous effort to improve the existing products over competitors both in terms of performance as well as price. Meanwhile, the management is diligently diversifying different product lines and exploring new sales and distribution channels in order to broaden the revenue source.

Software and hardware integration services for real time 2D-3D conversion display products

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* (蘊睿科技（深圳）有限公司) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Group, entered into (i) the Equity Transfer Agreement with Shenzhen Kuyin Culture Communication Company Limited* (深圳酷音文化傳播有限公司) ("**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 Vender A, the existing shareholder and the Target Company in relation to the operation and management of the Target Company (the "**Acquisition Qiping**").

The Acquisition Qiping was completed in January 2019. The Group believe that the Acquisition Qiping represents a good opportunity for the Group to expand our offerings of hardware and software integration services for real time 2D-3D conversion display products, and tap into the high-tech industry for our core business. The Acquisition Qiping will also broaden the Group's revenue base.

Trading of construction materials

The trading of construction materials was a newly explored business of the Group since the end of 2017. The Group will carefully assess the feasibility of future business development based on the current business development.

* *For identification purposes only*

Financial leasing in the PRC

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

Money lending in Hong Kong

The Group will prudently carry out money lending business in accordance with the Money Lenders Ordinance.

Investment holding

Given ongoing uncertainties over international trade and longer-term global economic and financial trends, we will continue to exercise caution and prudence in exploring any new investment opportunities to enhance shareholder's value.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group achieved a revenue of HK$60.7 million, representing an increase of 66% as compared to the corresponding period in 2017, which was principally contributed by the Group's (i) design and sales of integrated circuit and semiconductor parts business operations, and (ii) the trading of construction materials.

For the year ended 31 December 2018, loss for the year attributable to owners of the parent is HK$40.2 million, as compared to HK$2.7 million for the corresponding period of last year. The increase in loss was mainly attributable to increase in both impairment of financial assets and the employee benefits expenses during the period. Basic loss per share attributable to ordinary equity holders of the parent is HK$11.94 cents, as compared to HK$ 0.8 cents for the corresponding period of last year.

Revenue

Revenue of the Group for the year ended 31 December 2018 increased by approximately HK$24.1 million as compared with the same period last year, which was mainly due to the (i) the management's continuous efforts on improving the competitiveness of the products; and (ii) the development of new sales and distribution channels of IC related products; and (iii) the new business for the trading of construction materials.

Operating expenses

Operating expenses increase to HK$46.9 million in the year ended 31 December 2018 (2017: HK$23.2 million) which was mainly due to the increase in both impairment of financial assets and the employee benefits expenses during the period.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, the Group had no fund raising activities.

As at 31 December 2018, the cash and cash equivalents of the Group amounted to approximately HK$25.6 million as compared to approximately HK$43.3 million as at 31 December 2017.

As at 31 December 2018, the Group had no outstanding bank loan and no financing cost was incurred for the year (2017: 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 3.76% as at 31 December 2018 (2017: approximately 1.9%). The Group did not have any debt financing during the year, and no finance cost was incurred.

FOREIGN CURRENCY EXPOSURE

The Group's results were exposed to exchange fluctuations of Renminbi as the Group mainly had operations in the PRC. The Board 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 year, there was no change to the authorised share capital of the Group.

As at 31 December 2018, the Group had no bank borrowings (2017: Nil). As at 31 December 2018, the shareholders' fund amounted to approximately HK$118.3 million (2017: approximately HK$161.1 million).

INVESTMENTS AND CAPITAL ASSETS

The Group acquired property, plant and equipment of approximately HK$2.96 million for the year ended 31 December 2018 (2017: approximately HK$0.6 million).

As at 31 December 2018, the Group held 10,284 (31 December 2017: 130,362) ChipMOS Taiwan ADS and its quoted market price was US$16.84 (31 December 2017: US$17.65) per ADS.

As at 31 December 2018, the Group held shares of a Hong Kong listed company amounted to approximately HK$0.8 million (31 December 2017: nil).

PLEDGE OF ASSETS

As at 31 December 2018, the Group did not have any pledge of assets (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Disposal of ChipMOS Taiwan ADS

On 24 January 2018, having regard to the share market conditions and the trading price of ChipMOS Taiwan ADS in the open market through the NASDAQ Global Select Market, the Group considered the possible disposals represent good opportunities for the Company to realise a gain in its investment in ChipMOS Taiwan. The Company intended to dispose of an aggregate of 130,362 ChipMOS Taiwan ADS ("**Possible Disposals**").

The Possible Disposals constituted a major transaction for the Company under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), for which shareholders' approval was required. A special general meeting (the "**SGM**") was held on 12 March 2018 and an ordinary resolution was approved by the shareholders of the Company regarding the Possible Disposals. No shareholder was required to abstain from voting on the approval of the Possible Disposals.

Subsequent to the SGM, the Group disposed a total of 118,262 ChipMOS Taiwan ADS.

As at 31 October 2018, the Group held 12,100 ChipMOS Taiwan ADS. On 30 November 2018, the number of ChipMOS Taiwan ADS held by the Group was reduced from 12,100 to 10,284 due to the capital reduction plan of ChipMOS Technologies Inc.

As at 31 December 2018, the Group held 10,284 ChipMOS Taiwan ADS and the quoted market price of ChipMOS Taiwan ADS was approximately US$16.84 per ADS. Consequently, a fair value loss of approximately HK$0.6 million was debited to other losses due to mark-to-market valuation of such ChipMOS Taiwan ADS held for the period.

On 7 March 2019, the Company disposed all of the remaining shares of 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 per ChipMOS Taiwan ADS, subject to the restrictions approved by shareholders in the SGM.

Acquisition of the Entire Issued Share Capital in Wit Sky Limited

Sunny Fast International Investment Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Group, and Fortune Favour International Limited (the "**Vendor Fortune**") entered into the Sale and Purchase Agreement on 13 November 2017, pursuant to which the Vendor Fortune conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Wit Sky Limited ("**Wit Sky**"), at the consideration of HK$40.0 million. Details of the acquisition have been disclosed in the announcements of the Company dated 27 October 2017 and 13 November 2017, respectively.

Wit Sky owns the entire equity interests in a company incorporated in Hong Kong with limited liability, which in turn owns the entire equity interests in the PRC with limited liability, 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.

All conditions to the Sale and Purchase Agreement were fulfilled and completion of the acquisition (the "**Completion**") with the consideration adjusted to HK$30.0 million on 28 February 2018. Following the Completion, the Wit Sky Group became wholly-owned subsidiaries of the Company. Details of the Completion were disclosed in the announcement of the Company dated 28 February 2018.

Acquisition of the majority equity interest in Shenzhen Qiping Telecommunication 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* (蘊睿科技（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* (深圳酷音文化傳播有限公司) ("**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 Vender 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 in the course of 2018.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2018 (2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 56 employees (2017: 33 employees). Total employee benefits expenses, including Directors' emoluments, amounted to approximately HK$22.4 million (2017: HK$11.0 million) for the year.

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.

* *For identification purposes only*

SUFFICIENCY OF PUBLIC FLOAT

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

DIVIDEND

No dividend for the year ended 31 December 2018 (2017: Nil) is recommended by the Board.

CHANGE OF DIRECTORS

(i) Mr. Zhou Danqing has been re-designated as non-executive Director with effect from 15 April 2018;

(ii) Each of Mr. Lee Man To and Ms. Choi Yee Man has been appointed as independent non-executive Director with effect from 15 April 2018;

(iii) Each of Ms. Chow Chui Ying and Dr. Yang Yung Ming has resigned as independent non-executive Director with effect from 15 April 2018 and 15 June 2018 respectively;

(iv) Ms. Zhuge Chang has been appointed as independent non-executive Director with effect from 15 June 2018 and resigned as independent non-executive Director with effect from 4 March 2019;

(v) Mr. Wei Xiao has been appointed as executive Director and chief executive officer of the Company with effect from 31 December 2018.

(vi) Mr. Liew Fui Kiang has resigned as executive Director and the chairman of the Board, Mr. Yang Lin has been appointed as executive Director and the chairman of the Board with effect from 15 January 2019; and

(vii) Dr. Zhang Shengdong has been appointed as independent non-executive Director with effect from 4 March 2019.

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

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Group's listed securities for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2018, the Company has complied with the principles as set out in the Corporate Governance Code ("**CG 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. 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.

(2) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive Directors were unable to attend the SGM held on 12 March 2018 due to their business commitment and other engagements. Besides, one non-executive Director and one independent non-executive Director were unable to attend the annual general meeting of the Company held on 15 June 2018 due to their business commitment and other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has 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 have confirmed their respective full compliance with the required standard set out in the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Group comprises solely independent non-executive directors, namely Mr. Lee Man To (Chairman), Ms. Choi Yee Man and Dr. Zhang Shengdong. The Group's annual results for the year ended 31 December 2018 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF ZENITH CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Zenith CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Zenith CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Zenith CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://pacray.com.hk. The annual report of the Company for the year ended 31 December 2018 containing all the information as required by Disclosure of Financial Information as set out in Appendix 16 to the Listing Rules will be dispatched by the Company to its shareholders and published on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
PacRay International Holdings Limited
Yang Lin
Chairman and Executive Director

Hong Kong, 22 March 2019

As at the date of this announcement, the Board comprises eight Directors. The executive Directors are Mr. Yang Lin, Mr. Wei Xiao, Mr. Leung Pok Man and Ms. Lau Mei Ying; the non-executive Director is Mr. Zhou Danqing; and the independent non-executive Directors are Mr. Lee Man To, Ms. Choi Yee Man and Dr. Zhang Shengdong.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.