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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of PacRay International Holdings Limited (the "**Company**") announces the unaudited consolidated annual results of the Company and its subsidiaries (collectively refer to as the "**Group**") for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018.

The Board would like to emphasise that the financial information of the Group for the year ended 31 December 2019 contained in this announcement has not been audited or reviewed by the auditor of the Company, Zenith CPA Limited, as the auditing process for the Group's annual results for the year ended 31 December 2019 was unable to complete by 31 March 2020 due to the COVID-19 outbreak. For more information, please refer to the section headed "Review of the Unaudited Annual Results" in this announcement.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (audited)
REVENUE	*6*	**74,339**	60,709
Cost of sales		**(54,538)**	(49,458)
Gross profit		**19,801**	11,251
Other income and gains/(losses), net		**4,981**	(3,829)
Distribution costs		**(190)**	(652)
Administrative expenses		**(46,945)**	(46,937)
LOSS BEFORE TAX	*7*	**(22,353)**	(40,167)
Income tax expense	*9*	**(361)**	(20)
LOSS FOR THE YEAR		**(22,714)**	(40,187)
Attributable to:			
Owners of the parent		**(21,065)**	(40,187)
Non-controlling interests		**(1,649)**	–
		(22,714)	(40,187)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
– Basic and diluted		**HK(6.26) cents**	HK(11.94) cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *HK$'000* (unaudited)	2018 *HK$'000* (audited)
LOSS FOR THE YEAR	**(22,714)**	(40,187)
OTHER COMPREHENSIVE LOSS		
Other comprehensive income that may be reclassified to profit or loss in subsequent period:		
Exchange differences on translation of foreign operations	**(853)**	(2,764)
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	**(96)**	196
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(949)**	(2,568)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(23,663)**	(42,755)
Attributable to:		
Owners of the parent	**(22,014)**	(42,755)
Non-controlling interests	**(1,649)**	–
	(23,663)	(42,755)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,038**	4,428
Intangible assets		**2,087**	–
Deferred tax assets		**607**	619
Equity investments designated at fair value through other comprehensive income		**23,100**	23,196
Finance lease receivables		**–**	5,775
Right-of-use assets		**16,557**	–
Rental deposits		**3,335**	280
Total non-current assets		**49,724**	34,298
CURRENT ASSETS			
Inventories		**12,432**	7,142
Finance lease receivables		**5,668**	–
Trade and bills receivables	*11*	**54,299**	24,733
Prepayments, other receivables and other assets		**13,836**	9,848
Loans receivables		**18,667**	19,032
Financial assets at fair value through profit or loss		**1,545**	2,154
Tax recoverable		**156**	159
Cash and cash equivalents		**8,516**	25,601
Total current assets		**115,119**	88,669
CURRENT LIABILITIES			
Lease liabilities		**12,466**	–
Trade payables	*12*	**27,938**	361
Other payables and accruals		**22,230**	4,251
Tax payable		**661**	7
Total current liabilities		**63,295**	4,619
NET CURRENT ASSETS		**51,824**	84,050
TOTAL ASSETS LESS CURRENT LIABILITIES		**101,548**	118,348
NON-CURRENT LIABILITIES			
Lease liabilities		**5,637**	–
NET ASSETS		**95,911**	118,348
Equity			
Equity attributable to owners of the parent			
Share capital		**134,922**	134,922
Other reserves		**(2,589)**	(1,796)
Accumulated losses		**(35,841)**	(14,778)
		96,492	118,348
Non-controlling interests		**(581)**	–
Total equity		**95,911**	118,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 CORPORATE AND GROUP 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 28/F, 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 year, the Company and its subsidiaries (collectively referred hereinafter as the "**Group**") are involved in the following principal activities: the design and sales of integrated circuits and semi-conductor parts, trading of construction materials, financial leasing in the PRC, money lending in Hong Kong, research and development in real time 2D-3D conversion display products, aircraft business management and investment functions.

In the opinion of the directors, Glory Genius International Holdings Limited, is the holding company and ultimate holding company of the Company, which is incorporated in the British Virgin Islands.

2 BASIS OF PREPARATION

The unaudited financial information 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. The unaudited financial information presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the unaudited financial information.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for property. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	HK$'000 (unaudited)
Assets	
Increase in right-of-use assets	658
Increase in total assets	658
Liabilities	
Increase in lease liabilities	658
Increase in total liabilities	658

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018 (audited)	1,273
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(577)
	696
Weighted average incremental borrowing rate as at 1 January 2019	4.51%
Discounted operating lease commitments as at 1 January 2019	658
Lease liabilities as at 1 January 2019 (unaudited)	**658**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

4 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*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

The Group anticipates that the application of all these new and amendments to HKFRSs will have no material impact on the Group's financial statements in the foreseeable future.

5 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 and display products;

(ii) provision of finance lease services;

(iii) aircraft business management services ; 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$'000* (unaudited)	Finance lease services *HK$'000* (unaudited)	Aircraft business management *HK$'000* (unaudited)	Trading of construction materials *HK$'000* (unaudited)	Headquarter *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Year ended 31 December 2019						
Revenue from external customers	**30,536**	**856**	**42,947**	**–**	**–**	**74,339**
Operating profit/(loss)	**(4,769)**	**(1,822)**	**6,048**	**–**	**(23,160)**	**(23,703)**
Interest income	**14**	**–**	**1**	**–**	**1,335**	**1,350**
Profit/(loss) before income tax	**(4,755)**	**(1,822)**	**6,049**	**–**	**(21,825)**	**(22,353)**
Other segment information:						
Depreciation of property, plant and equipment	**943**	**23**	**–**	**–**	**194**	**1,160**
Depreciation of right-of-use assets	**1,860**	**–**	**541**	**–**	**5,486**	**7,887**
Provision for inventories	**101**	**–**	**–**	**–**	**–**	**101**
Impairment of/(reversal of) loan receivables, net	**–**	**28**	**–**	**–**	**(490)**	**(462)**
Impairment of/(reversal of) trade receivables, net	**59**	**–**	**103**	**(2,316)**	**–**	**(2,154)**
As at 31 December 2019						
Segment assets	**41,061**	**15,821**	**50,975**	**–**	**56,986**	**164,843**
Segment liabilities	**24,599**	**616**	**26,050**	**–**	**17,667**	**68,932**

	Design and sales of integrated circuits *HK$'000* (audited)	Finance lease services *HK$'000* (audited)	Trading of construction materials *HK$'000* (audited)	Headquarter *HK$'000* (audited)	Total *HK$'000* (audited)
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 of property, plant and equipment	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 loans receivables	–	–	–	3,500	3,500
Impairment of financial assets included in prepayment, other receivables and other assets	–	1,579	–	290	1,869
Fair value loss on financial assets at fair value through profit or loss	–	–	–	947	947
Dividend income	–	–	–	13	13
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

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**42,947**	33,036
PRC	**31,392**	27,673
	74,339	60,709

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Hong Kong	**41,081**	24,058
PRC	**8,036**	9,621
	49,117	33,679

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 2019, revenue of HK$42,947,000 was derived from aircraft business management to a single customer (2018: HK$23,262,000 was derived from design and sales of integrated circuits to 3 customers and HK$23,938,000 was derived from trading of construction materials to 1 customer), which individually accounted for over 10% of the Group's total revenue.

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Customer A	**42,947**	N/A
Customer B	**N/A***	23,938
Customer C	**N/A***	9,098
Customer D	**N/A***	7,249
Customer E	**N/A***	6,915

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

6 REVENUE

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Revenue from contracts with customers		
Sales of integrated circuits	**30,536**	36,447
Sales of construction materials	**–**	23,938
Aircraft business management services	**42,947**	–
	73,483	60,385
Revenue from other sources		
Finance lease income	**856**	324
	74,339	60,709

7 LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Cost of inventories sold	**16,341**	45,276
Depreciation of property, plant and equipment	**1,160**	898
Depreciation of right-of-use assets	**7,887**	–
Loss on disposals of property, plant and equipment	**225**	–
Employee benefits expenses (including directors' remuneration)		
Salaries, allowances and benefits in kind	**22,313**	20,849
Pension scheme contributions	**1,738**	1,546
	24,051	22,395
(Reversal of impairment)/impairment of loan receivables	**(462)**	3,500
Impairment of finance lease receivables	**–**	2,644
Impairment of goodwill	**–**	5,144
(Reversal of impairment)/impairment of trade receivables	**(2,154)**	2,465
Impairment of financial assets included in prepayments, other receivables and other assets	**–**	1,869
Provision for inventories	**101**	4,182
Fair value (gains)/losses of financial assets at fair value through profit or loss	**(750)**	947

8 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019 nor has any dividend been proposed since the end of the reporting period (2018: nil).

9 INCOME TAX EXPENSE

The Group is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The PRC enterprise income tax has been provided at the rate of 20% (2018: 15%) on the estimated assessable income arising in the PRC during the year.

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Current – Hong Kong	**730**	7
– PRC	**40**	157
(Over)/under-provision in prior years – PRC	**(409)**	27
Deferred	**–**	(171)
Income tax expense	**361**	20

10 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.

	2019	2018
	(unaudited)	(audited)
Loss attributable to equity holder of the parent	**(HK$21,065,000)**	(HK$40,187,000)
Weighted average number of ordinary shares in issue	**336,587,000**	336,587,000
Basic loss per share	**HK(6.26) cents**	HK(11.94) cents

(b) Diluted

The Group has not issued any potentially dilutive ordinary shares during the years ended 31 December 2019 and 2018.

11 TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**51,682**	25,572
Less: Impairment	**(173)**	(2,465)
	51,509	23,107
Bills receivables	**2,790**	1,626
Trade and bills receivables	**54,299**	24,733

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

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 1 month	**5,967**	690
More than 1 month but less than 3 months	**14,931**	1,394
More than 3 months	**30,611**	21,023
	51,509	23,107

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

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 1 month	**1,101**	–
More than 1 month but less than 3 months	**894**	1,093
More than 3 months	**795**	533
	2,790	1,626

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:

	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 1 month	**3,167**	298
More than 3 months	**24,771**	63
	27,938	361

MANAGEMENT DISCUSSION AND ANALYSIS

The Board would like to emphasize that the following management discussion and analysis is based on unaudited financial information of the Group for the year ended 31 December 2019.

BUSINESS REVIEW

For the year ended 31 December 2019, the Group is principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) trading of construction materials; (iii) financial leasing in the PRC; (iv) money lending in Hong Kong; (v) research and development in real time 2D-3D conversion display products; (vi) aircraft business management; and (vii) investment holding.

For the year ended 31 December 2019, the businesses of (i) money lending in Hong Kong; and (ii) research and development in real time 2D-3D conversion display products are minor segments of the Group in terms of operation sizes. In March 2020, the Company has decided to exit from the business of research and development in real time 2D-3D conversion display products.

For the year ended 31 December 2019, the Group recorded a consolidated revenue of approximately HK$74.3 million (2018: approximately HK$60.7 million) and a loss for the year attributable to owners of the parent of approximately HK$21.1 million (2018: approximately HK$40.2 million). Looking back into the year ended 31 December 2019, the Group was experiencing a tough and challenging business environment, with lower economy growth momentum, higher cost pressure, higher competitive forces and more uncertain prospects. Despite the management used their best endeavor to deal with such hardship, certain business segments of the Group have experienced a sharp decline, while others maintained a normal performance. In general, the Group recorded an improved result compared with last year.

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts in People's Republic of China (the "**PRC**"), Hong Kong and Taiwan remains as the 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, a 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 2019, the operation of this segment recorded (i) a revenue of approximately HK$30.5 million, which shows a decrease of approximately 16.2% as compared with the corresponding period last year; and (ii) a gross profit of approximately HK$14.2 million, which shows an increase of approximately 4.3% as compared with the corresponding period last year. Management has noticed that competition in the PRC IC market was becoming more intensive, due to technology advances, cost increases and customers' changing demands. Especially, as the US-China trade war continued and the US dollars appreciated in 2019, the cost of raw material (e.g. silicon wafers which are of US dollar settlement) and staff continued increasing, which leaded to lower profit margin and higher operating pressure.

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 58% (2018: approximately 68%) and approximately 42% (2018: approximately 32%) of the revenue was generated from the caliper and MCU respectively. The management continued its strategy on (i) improving the competitiveness of the products; and (ii) developing new product lines and sales and distribution channels.

Trading of construction materials

The segment of trading of construction materials had a sharp decrease in 2019. The Group mainly served customers in the Pan-Asia Pacific, including certain islands of the US territories. In 2019, the US-China trade war significantly damaged customers' confidence in stableness of the Group's supply chain. Despite the management's arduous effects to improve customer relationship and confidence, no concrete purchase orders from new customers have been placed in 2019. On the other hand, existing customers of this segment had experienced operation down-scale or stagnancy for months in 2019, which in turn lowered their demands in the Group's supplies. Plus, the management decided to holdover some of the existing customers' purchase orders after carefully considering their financial difficulties and payment abilities. The operation in trading of construction materials recorded nil revenue for the year ended 31 December 2019 (2018: approximately HK$23.9 million). The Group's response to such hardship in the business environment was to remain cautious, prudent and conservative, with possibility of scaling down operation size and avoiding unnecessary costs, such as marketing and promotion expenses.

Financial leasing in the PRC

The Group operates its financial leasing business in the PRC through its indirectly wholly-owned subsidiary, Solomon International Leasing (Tianjin) Company Limited* ("**Solomon**"), which is principally engaged in various types of financial leasing, such as direct leasing, sublease, hire purchase, leveraged leasing, entrusted leasing, joint leasing, sale and dealing of the residual value of lease items and leasing consultation business.

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$0.9 million (2018: approximately HK$0.3 million) deriving from its financial leasing businesses in the PRC. Although at a lower rate, the PRC economy maintained a growth trend, thanks to which the demand for financial leasing in the PRC remains high. However, the year 2019 witnessed a higher default rate due to increasing economic uncertainty and harshening business environment. The management has accordingly adopted stricter policies to identify possible customers and to negotiate a leasing deal. Therefore, operation scale of this segment became smaller as compared with 2018, with the total money value of leasing amounts decreasing from approximately HK$5.8 million in 2018 to approximately HK$5.7 million in 2019.

* *For identification purposes only*

Money lending in Hong Kong

The Group operates its money lending business through its indirectly wholly owned subsidiary, Wellba Investment Limited (裕霸投資有限公司), which is principally engaged in money lending in Hong Kong. In the past, main customers of this segment include high-value clients and listed companies in Hong Kong.

For the year ended 31 December 2019, the Group recorded an interest income of HK$1.3 million (2018: approximately HK$2 million) in this segment. In 2019, protests against the political establishment in Hong Kong leaded to a more challenging and more uncertain business environment. Hong Kong economy has been decreasing at the sharpest rate in over one decade. Given such political uncertainty and economic recession, the management has decided to scale down this segment after taking into account the increasing credit risks, despite there was a larger demand for money lending services in Hong Kong. The management is of the view that a cautious and conservative strategy is more appropriate in the existing environment.

Research and development in real time 2D-3D conversion display products

In January 2019, the Group acquired 70% equity interest of Shenzhen Qiping Technology Company Limited* (深圳奇屏科技有限公司) ("**Shenzhen Qiping**"), which is principally engaged in hardware and software integration services for real time 2D-3D conversion display products. The Group has therefore tapped into this high-tech industry.

Group of Shenzhen Qiping is a technology servicer principally engaged in (i) research and development in real time 2D-3D conversion display products; and (ii) selling and providing maintenance services for integrated real time 2D-3D conversion display system on tablet computer, electronic products, digital products, cellphone batteries, wireless data terminals and cellphone accessories with maintenance services to the end user.

Given that real time 2D-3D conversion display is technically new and has not fully expanded its market, the Group recorded a minor revenue of approximately HK$0.5 million (2018: nil). Since late 2019, this segment showed a sign of decline.

The business of Shenzhen Quipping has a nature of innovation and high-tech, and therefore the Group originally expected of a profit in the long term. However, the Group did not have sufficient resources to support the growth of the business of Shenzhen Qiping, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan of Shenzhen Qiping. Therefore, the Company is of the view that this business segment's full potential may take a longer time to realize than the Company's original expectation.

On 28 March 2020, the Company had conditionally agreed to dispose of its whole interests in the business of Shenzhen Qiping to a third party independent to the Group at the consideration of HK$2.5 million. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase the business of Shenzhen Qiping at HK$2.6 million within 12 months since 28 March 2020.

Given the relatively small size of Shenzhen Qiping, the Company is of the view that exiting from this business segment would not have a material impact on the operations and financials of the Group as a whole.

* *For identification purposes only*

Aircraft business management and luxury yacht management

To further diversify the business units of the Group, the Company announced on 25 April 2019 that it would (i) carry out luxury yacht relevant business, including but not limited to luxury yacht sales agent, leasing and trading business; and (ii) explore opportunities relating to aircraft business, including but not limited to jet business management, aircraft sales service and pilot training service. 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, IBA HK has organically expanded into aircraft business 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.

On 23 July 2019, IBA HK entered into a 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) ("**Jinlong**") in the PRC, intending to become a non-exclusive agent of the yacht products from Jinlong in Europe, South America, the United States, Hong Kong and Shenzhen to sell its 46-meter super yachts and 110-inch catamaran yachts.

With the efforts of the management team of IBA HK, the Group's business aircraft service and luxury yacht management has been running smoothly and making profits through 2019. The management has been focusing on expanding the PRC and overseas markets. 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 year ended 31 December 2019, the Group recorded a revenue of approximately HK$42.9 million (2018: Nil) of this segment.

Investment holding

(i) Investment in Cornerstone Securities Limited

As at 31 December 2019, the Group had 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities (the "**Investment in Cornerstone Securities**"). Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 6 regulated activity (advising on securities) and is principally engaged in security dealing business.

The Investment in Cornerstone Securities was initially acquired by the Group in November 2017 at the cost of HK$23.0 million. As at 31 December 2019, this investment had a fair value of approximately HK$23.1 million according to a valuation prepared by external independent qualified valuer, representing approximately 14.0% of the Group's consolidated total assets of approximately HK$164.8 million as at 31 December 2019. For the year ended 31 December 2019, this investment recorded an unrealized loss of approximately HK$0.1 million, generated from change in fair value included in other comprehensive income. There was no realized gain or loss, or dividends received.

The Group has made an irrevocable election to account the Investment in Cornerstone Securities as fair value through other comprehensive income. The Group intends to hold this investment as a long-term investment. For the year ended 31 December 2019, there was no pattern or practices of short-term profit-making related to it.

(ii) Investment in ChipMOS

As at 1 January 2019, the Group had an investment on 10,284 American depositary shares of ChipMOS Technologies Inc. ("**ChipMOS**"), representing approximately 0.21% of the issued and outstanding American depositary shares of ChipMOS (the "**Investment in ChipMOS**") based on the public information.

ChipMOS is listed on the Taiwan Stock Exchange Market in April 2014 (TWSE: 8150), and a leading independent provider of total semiconductor testing and packaging solutions to fabless companies, integrated device manufacturers and foundries. ChipMOS merged with its parent company, ChipMOS Technologies (Bermuda) Limited in October 2016. Consideration of the merger was the combination of cash and newly-issued American depository shares trading on the NASDAQ Stock Market with ticker of "IMOS". Further information on ChipMOS can be found on the website of www.chipmos.com.

The Investment in ChipMOS had a cost of approximately HK$1.3 million, and was regarded as a held-for-trading equity instrument. On 7 March 2019, the Group disposed all of its remaining 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 per ChipMOS Taiwan ADS. For the year ended 31 December 2019, this investment recorded (i) dividends income of HK$Nil million; and (ii) a realized gain of approximately HK$0.02 million, generated from dealing activities.

(iii) Investment in Imperial Pacific

As at 31 December 2019, the Group had an investment on 15,000,000 listed shares of Imperial Pacific International Holdings Limited ("**Imperial Pacific**"), representing 0.01% of the issued shares of Imperial Pacific (the "**Investment in Imperial Pacific**") based on the public information.

Imperial Pacific is listed on the Stock Exchange (stock code: 1076), and is principally engaged in the gaming and resort business including the development and operation of integrated resort on the Island of Saipan. Further information on Imperial Pacific can be found on the website of www.imperialpacific.com.

The Investment in Imperial Pacific had a cost of approximately HK$1.5 million. As at 31 December 2019, this investment had a fair value of approximately HK$1.5 million according to the quoted price of the shares of Imperial Pacific, representing approximately 0.9% of the Group's consolidated total assets of approximately HK$164.8 million as at 31 December 2019. For the year ended 31 December 2019, this investment recorded (i) no dividends; (ii) no realized gain; and (iii) an unrealized gain of approximately HK$0.8 million, generated from change in fair value. The Group intends to held the Investment in Imperial Pacific as a held-for-trading equity.

BUSINESS OUTLOOK

The management of the Group is conservative, if not negative, on the prospects in the year 2020. For the year ended 31 December 2019, the global economy has shown signs of hardship: (i) the Chinese economy was slowing down its growth momentum; and (ii) the Hong Kong economy entered into a recession which has not been witnessed in over one decade. The U.S.-China trade conflict remains unmitigated and the political uneasiness in Hong Kong remains unpleased. Then in early 2020, there came the COVID-19 outbreak, which has already interrupted the Group's operation in the PRC. Worse still, the management is afraid that more profound impact of the virus outbreak is not fully revealed. Possible challenges to the Group may include significantly higher material cost for its production activities and significantly higher default rates for its financial service activities.

In view of the increasing uncertainties in economic environment, the business growth has become increasingly challenging for the Group's operation. Hence, the Group will continue with its cautious and prudent business approach.

Design and sales of integrated circuit and semi-conductor parts

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. More cost control measures will be adopted by the management depending on the future business trends.

Trading of construction materials

The management is considering to downsize, temporarily close or discontinue this segment due to lack of appropriate opportunities and increasing default risk of its customers. Given the financial and operational difficulty encountered by existing customers, the management intends to focus on recovering receivables. Save for taking up normal procedures, the management is in the course of assessing other options to increase recoverability, including but not limited to (i) filing bankruptcy petition against the customer; (ii) requesting collaterals as guarantee for the receivables; (iii) seeking factoring services from professional financial institutions; and/or (iv) settling the receivables with other assets.

On 27 March 2020, the Company has entered into a settlement package with a customer to recover and settle all the amount owed by this customer to the Group, including a billing amount of approximately HK$23.4 million generated from the business segment of trading of construction materials. For more information, please refer to the section "Transactions after the Reporting Period".

Financial leasing in the PRC

The management will adopt a stricter policy in this segment to deal with generally increasing credit risk in the PRC. The management reserves the option of halting expansion of this segment, such as turning down new customers. The management is also assessing whether additional steps are required to recover the receivables from customers. Under a more prudent strategy, the management expects this segment will have a scale-down.

Money lending in Hong Kong

The management will continuously adopt a cautious and conservative strategy when accepting new money lending proposals in Hong Kong. On the other hand, the management will closely monitor the recoverability of the loans granted before. Given the economic downslide in Hong Kong, the management expects this segment will have a scale-down.

Research and development in real time 2D-3D conversion display products

On 28 March 2020, the Company had conditionally agreed to dispose of its whole interests in the business of this segment to a third party independent to the Group. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase this business at an acceptable price within 12 months since 28 March 2020.

Upon completion of the disposal, the Group will exit from this business, but keep an option to re-enter by having a buy-back right. Although the Company has no intention to exercise the buy-back right as at this moment, the management will monitor the performance, trend and prospects of real time 2D-3D conversion display products, from time to time.

Aircraft business management and luxury yacht management

The Company management will continue to explore business opportunities relating to aircraft business management and luxury yacht management. The Group has adopted a market-expansion strategy by actively identifying potential clients. Given the potential of this business segment, the management is of the view that it will broaden the Group's revenue source and bring better return to the Company.

Investment holding

The world economy maintained a moderate pace of growth, with uncertainty over international trade and global economic and financial returns. The management will maintain a cautious and prudent approach for exploring any new investment opportunities to enhance shareholder's value.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group achieved a revenue of approximately HK$74.3 million, representing an increase of approximately 22.5% as compared to approximately HK$60.7 million in 2018. The revenue was principally contributed by the Group's core business, i.e. design and sales of integrated circuit and semiconductor parts business operations, and the new business segment, i.e. the aircraft business management. On the other hand, certain business segments, including the trading in construction materials, had experienced a hard business environment and a sharp operation downsize in 2019, and therefore recorded a decline in revenue.

Operating expenses

Operating expenses amounted to approximately HK$46.9 million in the year ended 31 December 2019 and 2018.

Loss for the year

For the year ended 31 December 2019, loss for the year attributable to owners of the parent is approximately HK$21.1 million as compared to approximately HK$40.2 million in 2018. The decrease in loss was mainly attributable to the Group's cost-control measures. Basic loss per share attributable to ordinary equity holders of the parent is HK$6.26 cents, as compared to HK$11.94 cents in 2018.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2019, the Group had no fund raising activities.

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately HK$8.5 million as compared to approximately HK$25.6 million as at 31 December 2018.

As at 31 December 2019, the Group had no outstanding bank loan and no financing cost was incurred for the year (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 71.9% as at 31 December 2019 (2018: approximately 3.76%). 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. Certain material used in the IC and semi-conductor parts are settled in US dollars, which exposed the Group to exchange fluctuations of US$-RMB. Nevertheless, the Board considers that the Group in general 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

For the year ended 31 December 2019, there was no change to the authorized share capital and the issued shares of the Company.

As at 31 December 2019, the Group had no bank borrowings (2018: nil). As at 31 December 2019, the shareholders' fund amounted to approximately HK$96.5 million (2018: approximately HK$118.3 million).

INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, the Group had two equity investments, including (i) approximately 8.8% of the entire issued capital of Cornerstone Securities Limited; and (ii) 15,000,000 listed shares of Imperial Pacific International Holdings Limited. More information about the investment is disclosed in the section headed "Investment holding" in the "Business Review".

For the year ended 31 December 2019, the Group acquired property, plant and equipment of approximately HK$0.8 million as compared with approximately HK$3.0 million in 2018.

PLEDGE OF ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES DURING THE REPORTING PERIOD

(i) Disposal of ChipMOS Taiwan ADS

As at 1 January 2019, the Group had an investment on 10,284 American depositary shares of ChipMOS, which had a cost of approximately HK$1.3 million and was regarded as a held-for-trading equity instrument. On 7 March 2019, the Group disposed all 10,284 ChipMOS Taiwan ADS at the prevailing market price of US$16.881 each. For the year ended 31 December 2019, this investment recorded (i) dividends income of HK$Nil; and (ii) a realized gain of HK$19,000, generated from dealing activities.

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

On 9 November 2018, the Group announced a possible acquisition of the majority equity interest of Shenzhen Qiping, a technology service company 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:

(a) 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 Shenzhen Qiping, pursuant to which the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to acquire the 70% equity interest in Shenzhen Qiping, for an aggregate consideration of RMB2 million in cash; and

(b) the shareholders' agreement with the Vender A, the existing shareholder and Shenzhen Qiping in relation to the operation and management of Shenzhen Qiping.

All conditions to equity transfer agreement were fulfilled and acquisition of Shenzhen Qiping completed in January 2019. Then 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 assets, subsidiaries, associates or joint ventures of the Company for the year ended 31 December 2019.

MATERIAL COMMITMENT DURING THE REPORTING PERIOD

On 21 June 2019, the Company as the tenant entered into a lease agreement with Agricultural Bank of China Limited in respect of the lease of the whole of the 28th floor of Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong 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. The aggregate value of consideration payable under the lease agreement by the Company is approximately HK$21.4 million which is to be satisfied by internal resources of the Group.

Upon implementation of HKFRS 16 effective from 1 January 2019, the Company has recognized the right-of-use asset in its consolidated financial statements.

TRANSACTIONS AFTER THE REPORTING PERIOD

(i) Investment in Red Power

On 14 February 2020, the Company announced that it planned to acquire 202 ordinary shares of Red Power Developments Limited ("**Red Power**"), representing 20.2% of its whole equity interest (the "**Investment in Red Power**").

Group of Red Power is principally engaged in (i) development, sales, lease and maintenance of equipment involving the application of aviation technology; (ii) development, sales and lease of helicopter; (iii) development of aviation technology and provision of technical consultancy services; (iv) provision of air transportation services; and (v) sales and leasing of aviation equipment.

The consideration for the Investment in Red Power is approximately HK$25.9 million which shall be fully settled by the allotment and issuance, credited as fully paid, of 33,658,000 consideration Shares by the Company at the issue price of HK$0.77 per consideration Share at completion. The Group will make an irrevocable election to account the Investment in Red Power as fair value through other comprehensive income. The Group intends to hold this investment as a long-term investment.

As at the date of this announcement, the acquisition underlying the Investment in Red Power has not been completed, and the Company will make further announcement(s) as and when appropriate.

On 31 March 2020, the Company announced that the long stop date to fulfill conditions of the acquisition underlying the Investment in Red Power was extended to 30 April 2020.

(ii) Investment in Ideal Best

On 27 March 2020, the Company announced that it planned to purchase the sale share, representing the entire issued share capital of Ideal Best Limited ("**Ideal Best**"), and its sale loan from Imperial Pacific at the consideration of approximately HK$30.3 million (the "**Investment in Ideal Best**").

Ideal Best is a company incorporated in the British Virgin Islands with limited liability. The principal business of Ideal Best is investment holding. Ideal Best is the sole registered and beneficial owner of Ideal Best (CNMI), LLC, a company incorporated in the Commonwealth of the Northern Mariana Islands with limited liability and is the holder of the leasehold interest in a Saipan property. The Saipan property comprises a land parcel with a site area of approximately 4,536 square metres upon which there is a housing development namely Miller's Estates. The total gross floor area of the Saipan property is approximately 1,953 square metres within six apartment buildings containing a total of 31 apartment units. According to a preliminary valuation prepared by an independent professional valuer, the Saipan property has a value of US$4.5 million (equivalent to approximately HK$34.9 million) as at 29 February 2020.

The acquisition for the Investment in Ideal Best is part of the settlement package between the Company and Imperial Pacific regarding the total amounts owed by Imperial Pacific to the Group. On 27 March 2020, Imperial Pacific is in debt to the Group of approximately HK$31.8 million, being the aggregate sum of a billing amount of approximately HK$23.4 million, the outstanding principal amount of a loan of approximately HK$7.7 million and the accrued interests thereon of approximately HK$0.7 million. The billing amount was generated in the business segment of trading in construction materials and the loan was generated in the business segment of money lending in Hong Kong.

In order to settle all amounts owed by Imperial Pacific to the Group, it was agreed that:

(a) the Company agreed to conditionally waive the interest of the loan of approximately HK$7.7 million since 27 March 2020, conditionally on the completion of the whole settlement package;

(b) Imperial Pacific agreed to repay approximately HK$1.5 million for the billing amount in cash. After the repayment of approximately HK$1.5 million, Imperial Pacific is expected to owe the debt of approximately HK$30.3 million ("**Debt**") to the Group immediately before completion of the whole settlement package.

(c) The Company agreed to purchase the sale share and sale loan of Ideal Best at the consideration of approximately HK$30.3 million. The consideration for the Investment in Ideal Best shall be satisfied by the Company to Imperial Pacific by way of set-off of the whole amount of the Debt on a dollar-for-dollar basis against the consideration payable by the Company to Imperial Pacific.

Upon completion, Ideal Best will become a direct wholly owned subsidiary of the Company and the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group. On the other hand, the Debt will be reduced to nil after the completion.

As at the date of this announcement, the acquisition underlying the Investment in Ideal Best has not been completed, and the Company will make further announcement(s) as and when appropriate.

(iii) Exiting from the Investment in Bright Team

In January 2019, the Group acquired 70% equity interest of Shenzhen Qiping, which is indirectly held by a direct subsidiary of the Company, Bright Team International Group Limited ("**Bright Team**") (the "**Investment in Bright Team**").

On 28 March 2020, after reviewing Shenzhen Qiping's business of hardware and software integration services for real time 2D-3D conversion display products, the Company had conditionally agreed to dispose of its whole interests in Bright Team to a third party independent to the Group at the consideration of HK$2.5 million. Nevertheless, the purchaser has agreed to grant to the Company a buy-back right to repurchase the Investment in Bright Team at HK$2.6 million within 12 months since 28 March 2020.

The Group's cost in the Investment in Bright Team amounted to approximately HK$2.3 million. As the business of Shenzhen Qiping has a nature of innovation and high-tech, the Group expected of a profit in the long term. However, the Group did not have sufficient resources to support the growth of Shenzhen Qiping, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan of Shenzhen Qiping. Therefore, the Company is of the view that Shenzhen Qiping's full potential may take a longer time to realize than the Company's original expectation. Hence, the Company decided to exit from the Investment in Bright Team. Nevertheless, the Company wishes to keep an option to re-enter into this business sector by having a buy-back right at an acceptable repurchase price.

Given the relatively small size of the Investment in Bright Team and Shenzhen Qiping, the Company is of the view that the disposal would not have a material impact on the operations and financials of the Group as a whole.

As at the date of this announcement, the disposal underlying the Investment in Shenzhen Qiping has not been completed, and the Company will make further announcement(s) as and when appropriate.

TRANSACTIONS WITH CONNECTED PARTIES

For the year ended 31 December 2019, the Group had no connected transaction as defined in the Listing Rules.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 74 employees (2018: 56 employees). Total employee benefits expenses, including the Directors' emoluments, amounted to approximately HK$24.1 million (2018: approximately HK$22.4 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.

NO OTHER MATERIAL CHANGE

Save as disclosed, there has been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2018.

DIVIDEND

No dividend for the year ended 31 December 2019 (2018: nil) is recommended by the Board.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2019, 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:

(i) Code provision A.2.1 of the CG Code requires that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. On 3 July 2019, Mr. Wei Xiao resigned an executive Director but maintained the role of the chief executive officer of the Company. On 8 November 2019, Mr. Wei Xiao resigned as the chief executive officer of the Company. Since then, the Company has not appointed a chief executive officer, and the roles and functions of the chief executive officer have been performed by all the executive Directors collectively. The Company is looking for suitable candidates to fill the vacancy of the chief executive officer of the Company, and will issue a further announcement as and when appropriate.

(ii) 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.

(iii) Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. One independent non-executive Director and two executive Directors were unable to attend the annual general meeting of the Company held on 14 June 2019 due to their business commitment and other engagements. Nevertheless, other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee and the members of the Nomination Committee) attended this meeting to ensure effective communication with the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2019.

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

As at 31 December 2019, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

CHANGE OF DIRECTORS

(i) Mr. Liew Fui Kiang has resigned as executive Director and the chairman of the Company with effect 15 January 2019;

(ii) Mr. Yang Lin has been appointed as executive Director and the chairman of the Company with effect on 15 January 2019;

(iii) Ms. Zhuge Chang has resigned as independent non-executive Director of the Company with effect on 4 March 2019;

(iv) Dr. Zhang Shengdong has been appointed as independent non-executive Director of the Company with effect on 4 March 2019;

(v) Mr. Xu Yinsheng has been appointed as executive Director of the Company with effect on 25 April 2019;

(vi) Mr. Wei Xiao has resigned as executive Director of the Company with effect on 3 July 2019; and

(vii) Mr. Liu Shixia has been appointed as executive Director of the Company with effect on 3 July 2019.

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 for the year ended 31 December 2019.

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.

ANNUAL REPORTING AND ANNUAL GENERAL MEETING

REVIEW OF THE UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 outbreak. To combat the virus outbreak, governments in the PRC and Hong Kong had placed rigid restrictions on working and travelling, which had significantly handicapped the auditing process. Therefore, the unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 unaudited annual results for the year ended 31 December 2019 have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditor, Zenith CPA Limited.

PUBLICATION OF ANNUAL RESULTS

This announcement is published on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://pacray.com.hk.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The time and venue of the 2020 annual general meeting is to be determined. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express a sincere thank and gratitude to our management team and staff for their hard work and dedication, as well as our shareholders, business partners and associates, bankers and auditors for their continuous support to the Group.

WARNING

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
PacRay International Holdings Limited
Lau Mei Ying
Executive Director

Hong Kong, 31 March 2020

As at the date of this announcement, the Board of the Company comprises nine Directors. The executive Directors are Mr. Yang Lin, Mr. Xu Yinsheng, Mr. Liu Shixia, 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.