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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 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of the PacRay International Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred hereinafter as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	5	92,647	74,339
Cost of sales		(68,682)	(54,538)
Gross profit		23,965	19,801
Other income and gains, net	5	15,762	4,981
Selling and distribution costs		(1,070)	(1,277)
General and administrative expense		(39,593)	(52,824)
Interest on lease liabilities		(518)	(657)
(Impairment)/reversal of impairment of financial assets		(6,106)	7,623
Share of profits of an associate		2,740	–
LOSS BEFORE TAX	6	(4,820)	(22,353)
Income tax expense	7	(733)	(361)
LOSS FOR THE YEAR		(5,553)	(22,714)
Attributable to:			
Owners of the parent		(5,495)	(21,065)
Non-controlling interests		(58)	(1,649)
		(5,553)	(22,714)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
– Basic and diluted		HK(1.58) cents	HK(6.26) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <u>HK\$'000</u>	2019 <u>HK\$'000</u>
LOSS FOR THE YEAR	<u>(5,553)</u>	<u>(22,714)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	2,653	(853)
Other comprehensive loss 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	<u>(10,779)</u>	<u>(96)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(8,126)</u>	<u>(949)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(13,679)</u>	<u>(23,663)</u>
Attributable to:		
Owners of the parent	(13,621)	(22,014)
Non-controlling interests	<u>(58)</u>	<u>(1,649)</u>
	<u>(13,679)</u>	<u>(23,663)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,751	4,038
Investment properties	14	30,328	–
Right-of-use assets		5,092	16,557
Intangible assets		–	2,087
Investment in an associate	10	27,944	–
Equity investments designated at fair value through other comprehensive income		12,321	23,100
Deferred tax assets		646	607
Long-term deposits		211	3,335
Total non-current assets		<u>79,293</u>	<u>49,724</u>
CURRENT ASSETS			
Inventories		4,041	12,432
Finance lease receivable		3,428	5,668
Trade and bills receivables	11	23,359	54,299
Prepayments, other receivables and other assets		12,609	13,836
Loans receivable		6,490	18,667
Financial assets at fair value through profit or loss		150	1,545
Tax recoverable		167	156
Cash and cash equivalents		28,031	8,516
Total current assets		<u>78,275</u>	<u>115,119</u>
CURRENT LIABILITIES			
Trade payables	12	23,227	27,938
Other payables and accruals		19,414	22,230
Lease liabilities		5,620	12,466
Tax payable		1,954	661
Total current liabilities		<u>50,215</u>	<u>63,295</u>
NET CURRENT ASSETS		<u>28,060</u>	<u>51,824</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>107,353</u>	<u>101,548</u>
NON-CURRENT LIABILITIES			
Lease liabilities		67	5,637
NET ASSETS		<u>107,286</u>	<u>95,911</u>
EQUITY			
Equity attributable to owners of parent			
Share capital	13	159,493	134,922
Other reserves		(10,871)	(2,589)
Accumulated losses		(41,336)	(35,841)
Non-controlling interests		107,286	96,492
		–	(581)
Total equity		<u>107,286</u>	<u>95,911</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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, finance lease services, money lending in Hong Kong, aviation and yacht business management and property investment.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Zhongying International Holding Group Limited, which is incorporated in the Hong Kong.

2 BASIS OF PREPARATION

The consolidated 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 investment properties and equity investments which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

4 OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their products and services and has five reportable operations segments as follows:

- (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) aviation and yacht business management services;
- (iv) property investment; and
- (v) the “Headquarter” segment comprises principally the Group’s corporate administrative and investment functions performed by headquarter.

4 OPERATING SEGMENT INFORMATION (continued)

	Design and sales of integrated circuits <i>HK\$'000</i>	Finance lease services <i>HK\$'000</i>	Aviation and yacht business management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Headquarter <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2020						
Revenue from external customers	<u>31,105</u>	<u>828</u>	<u>60,714</u>	<u>-</u>	<u>-</u>	<u>92,647</u>
Operating profit/(loss)	3,896	(5,977)	4,188	-	(7,409)	(5,302)
Interest income	<u>52</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>427</u>	<u>482</u>
Profit/(loss) before income tax	<u>3,948</u>	<u>(5,975)</u>	<u>4,189</u>	<u>-</u>	<u>(6,982)</u>	<u>(4,820)</u>
Other segment information:						
Depreciation of property, plant and equipment	(728)	(15)	-	-	(199)	(942)
Depreciation right-of-use assets	(655)	-	-	-	(9,376)	(10,031)
Gain on disposal of subsidiaries	-	-	-	-	4,371	4,371
Share of profits of an associate	-	-	-	-	2,740	2,740
Provision of inventories	(1,023)	-	-	-	-	(1,023)
Reversal of impairment/(impairment) of financial assets	44	(5,615)	(183)	-	(352)	(6,106)
Fair value losses of financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,395)</u>	<u>(1,395)</u>
Capital expenditures*	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>14</u>
Segment assets	<u>29,049</u>	<u>10,268</u>	<u>25,429</u>	<u>30,328</u>	<u>62,494</u>	<u>157,568</u>
Segment liabilities	<u>5,279</u>	<u>526</u>	<u>24,990</u>	<u>-</u>	<u>19,487</u>	<u>50,282</u>

4 OPERATING SEGMENT INFORMATION (continued)

	Design and sales of integrated circuits <i>HK\$'000</i>	Finance lease services <i>HK\$'000</i>	Aviation business management <i>HK\$'000</i>	Trading of construction materials <i>HK\$'000</i>	Headquarter <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019						
Revenue from external customers	<u>30,536</u>	<u>856</u>	<u>42,947</u>	<u>-</u>	<u>-</u>	<u>74,339</u>
Operating (loss)/profit	(4,769)	(1,822)	6,048	-	(23,160)	(23,703)
Interest income	<u>14</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1,335</u>	<u>1,350</u>
(Loss)/profit before income tax	<u>(4,755)</u>	<u>(1,822)</u>	<u>6,049</u>	<u>-</u>	<u>(21,825)</u>	<u>(22,353)</u>
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)
Reversal of provision of inventories	794	-	-	-	-	794
Reversal of impairment/(impairment) of financial assets	79	1,551	(103)	2,316	3,780	7,623
Fair value gains of financial assets at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>	<u>750</u>
Capital expenditure*	<u>523</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>286</u>	<u>843</u>
Segment assets	<u>41,061</u>	<u>15,821</u>	<u>50,975</u>	<u>-</u>	<u>56,986</u>	<u>164,843</u>
Segment liabilities	<u>24,599</u>	<u>616</u>	<u>26,050</u>	<u>-</u>	<u>17,667</u>	<u>68,932</u>

* Capital expenditure consists of additions to property, plant and equipment, excluding assets from the acquisition of assets and liabilities or subsidiaries.

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	60,714	42,947
PRC	31,933	31,392
	<u>92,647</u>	<u>74,339</u>

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

(b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	17,056	41,081
PRC	31,263	8,036
The Island of Saipan	30,328	–
	<u>78,647</u>	<u>49,117</u>

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 2020, revenue of HK\$58,393,000 was derived solely from the aviation business management to a single customer (2019: HK\$42,947,000), which individually accounted for over 10% of the Group's total revenue.

5 REVENUE AND OTHER INCOME AND GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Sales of integrated circuits	31,105	30,536
Aircraft business management services	58,393	42,947
Yacht business management services	2,321	–
Finance lease income	828	856
	<u>92,647</u>	<u>74,339</u>
Other income and gains, net		
Interest income	482	1,350
Management fee income	11,435	3,000
Government subsidies	1,142	–
Gain on disposal of subsidiaries	4,371	–
Fair value (losses)/gains of financial assets at fair value through profit or loss	(1,395)	750
Loss on disposal of property, plant and equipment	(291)	(225)
Sundry income	18	106
	<u>15,762</u>	<u>4,981</u>

6 LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold	14,884	16,341
Depreciation of property, plant and equipment	942	1,160
Depreciation of right-of-use assets	10,031	7,887
Auditor's remuneration	1,060	980
Employee benefits expenses (including directors' remuneration)	20,996	24,069
Foreign exchange difference, net	39	23
Provision/(reversal of provision) for inventories*	1,023	(794)
Impairment of finance lease receivable#	2,667	–
Impairment/(reversal of impairment) of trade receivables#	139	(2,292)
Impairment/(reversal of impairment) of loans receivable#	2,013	(3,462)
Impairment/(reversal of impairment) of other receivables and other assets#	1,287	(1,869)

* Included in "Cost of sales" in the consolidated statement of profit or loss.

Included in "(Impairment)/reversal of impairment of financial assets" in the consolidated statement of profit or loss.

7 INCOME TAX EXPENSE

The Group is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profit assessable elsewhere have been calculated at the rates of tax prevailing in the countries.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong	773	730
– PRC	–	40
Over-provision in prior years – PRC	<u>(40)</u>	<u>(409)</u>
Total tax charge for the year	<u><u>733</u></u>	<u><u>361</u></u>

8 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020 nor has any dividend been proposed since the end of the reporting period (2019: Nil).

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

(a) The calculation of the basic and diluted loss per share are based on:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss:		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u><u>5,495</u></u>	<u><u>21,065</u></u>
	Number of shares	
	2020	2019
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u><u>347,806,000</u></u>	<u><u>336,587,000</u></u>

(b) Diluted

The Group has not issued any potentially dilutive ordinary shares during the year ended 31 December 2020 and 2019.

10 INVESTMENT IN AN ASSOCIATE

	2020 <i>HK\$'000</i>
Share of net assets	15,221
Goodwill on acquisition	12,723
	27,944

Red Power Developments Limited (“Red Power”) is an investment holding company and its subsidiaries, Liaoning Meridian Aviation Co., Ltd. (“遼寧子午線航空有限公司”) and Meridian Aviation Technology (Tianjin) Co., Ltd. (“子午線航空技術(天津)有限公司”), are engaged in provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in PRC.

11 TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	20,102	51,682
Impairment	(312)	(173)
	19,790	51,509
Bills receivables	3,569	2,790
Trade and bills receivables	23,359	54,299

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	6,875	5,967
More than 1 month but less than 3 months	10,105	14,931
More than 3 months	2,810	30,611
	19,790	51,509

12 TRADE PAYABLES

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

	2020 HK\$'000	2019 HK\$'000
Within 1 month	1,707	3,167
More than 1 month but less than 3 months	2,284	–
More than 3 months	19,236	24,771
	23,227	27,938

The trade payables are non-interest bearing and normally settled on terms ranging from 30 to 360 days.

13 SHARE CAPITAL

	Number of shares '000	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2019, 31 December 2019 and 1 January 2020	336,587	33,659	101,263	134,922
Issue of shares (<i>Note</i>)	33,658	3,366	21,205	24,571
At 31 December 2020	370,245	37,025	122,468	159,493

Note:

On 1 September 2020, a total of 33,658,000 ordinary shares, which represent approximately 9.1% of the issued share capital of the Company, were issued by the Company to the Vendor as Consideration Shares for acquisition of 20.2% equity interest in an associate.

The 33,658,000 consideration shares were issued at prices of HK\$0.73 per share with total consideration of approximately HK\$24,571,000 which HK\$3,366,000 was credit to share capital and HK\$21,205,000 was credit to share premium account. Further details of which are set out in the Company's announcement dated 14 February 2020 and 1 September 2020.

14 ACQUISITION OF ASSETS AND LIABILITIES

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”), from Imperial Pacific International Holdings Limited (“Imperial Pacific”) at the consideration of approximately HK\$30,328,000 (the “Investment in Ideal Best”).

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. The acquisition was completed on 1 December 2020 (the “Completion Date”). As a result, (i) Imperial Pacific is no longer owe any material debt to the Group; (ii) Ideal Best will become a direct wholly owned subsidiary of the Company; and (iii) the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group.

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. According to the valuation prepared by an independent professional valuer, the Saipan property has a value of US\$4,500,000 (equivalent to approximately HK\$34,900,000) as at the Completion Date.

At the time of acquisition, Ideal Best did not actively engage in any business and accordingly, in the opinion of the directors, the acquisition of Ideal Best does not constitute a business combination but an acquisition of assets and liabilities.

For accounting purpose, the cost of acquisition of approximately HK\$30,328,000 has been allocated to the following identifiable assets and liabilities of Ideal Best as at the Completion Date as follows:

	<u>HK\$’ 000</u>
Investment properties	<u>30,328</u>
Total identifiable net assets acquired	<u>30,328</u>
Satisfied by:	
Set-off of trade, loan and interest receivables from Imperial Pacific	<u><u>30,328</u></u>

As the consideration was satisfied by way of the set-off and Ideal Best did not have cash and cash equivalents balance at the acquisition date, there was no cash flow in respect of the acquisition.

15 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2020, the Group has encountered an intensively challenging and continuously changing environment. The overall businesses were impacted by the COVID-19 pandemic and the China/US trade wars. Certain businesses were further impacted by the unfavorable local economies or policies. In order to respond, the Group kept a closed monitoring on its business portfolio, and has actively taken some decisive measures to reform. Objectives of such measures were (i) to maintain the core business that can create a reliable return and has competitive advantages; (ii) to exit from the business that has not meet expectations or might require further input from the Group; and (iii) to continuously seek opportunities that enhance the Group's revenue bases and profit-making abilities.

- Starting from 1 January 2020, the Group was 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) aviation and yacht business management; and (vii) investment holding.
- In February 2020, the Company announced an acquisition of 20.2% equity interest in Red Power Developments Limited, a company which is mainly engaged in aviation services. In September 2020, the Company completed this acquisition and therefore enlarged its businesses of aviation business management.
- In March 2020, the Company announced an acquisition of the entire equity interest of Ideal Best Limited, a company which holds an interest in a Saipan property. In December 2020, the Group completed this acquisition, and therefore was engaged in the business of property investment.
- Since March 2020, the Group has decided to terminate the business in the trading of construction materials, by not seeking new business and by focusing on recover the outstanding trade receivables. Since then, this business segment recorded a nil performance and the Group ceased to be engaged in the business of trading of construction materials.
- In March 2020, the Company announced a disposal of the business in research and development in real time 2D-3D conversion display products, while maintaining an option to re-enter this segment. In March 2020, the Group completed the disposal and has not exercised the option to re-enter, and therefore ceased to be engaged in the business of research and development in real time 2D-3D conversion display products.
- Since March 2020, the Group has decided to suspend expansion of the businesses in financial leasing in the PRC and the money lending in Hong Kong. Since then, the Group kept an on-going monitoring on this business, and would not rule out the possibility of termination, unless a valuable opportunity arises.

- In late 2020, the Group conducted a review on its business portfolio and initiated some feasibility study on opportunities which can reinforce the current business segments in the Group or provide sound diversification.

A possible new business segment which is still under study and preparation is the tea business, including, among others, production and sale of tea and tea-related products, and promotion and operation of tea-cultural tourism. As at the date of this announcement, all works conducted by the Group were related to feasibility study, opportunity seeking, general cooperation negotiation, etc. No formal business strategy has been formulated or implemented. Nevertheless, given that (i) tea products remain as a core in the traditional Chinese culture and the daily life of the Chinese people; (ii) there was a noticeable surge in the demand of high-quality tea products; and (iii) certain cities in China and their governments are highly supportive to the development of tea business, the management is confident on the potential of this business.

Another possible new business segment related to a sales agency framework cooperation agreement announced by the Company on 23 July 2019. According to this framework agreement with Liaoning Jinlong Super Yacht Manufacturing Co., Ltd.* (遼寧錦龍超級遊艇製造有限公司), the Company intended to become a non-exclusive agent of the yacht products to sell 46-meter super yachts and 110-inch catamaran yachts in Europe, South America, the US, Hong Kong and Shenzhen. Recently, the Company noticed a positive trend in the yacht market, especially under the consideration that (i) the yacht consuming or investing is getting more recognition in the wealthy people; (ii) construction of the relevant facilities, such as yacht harbor and yacht club, makes the yacht consuming more feasible and appealing; and (iii) customer tastes, such as the preference to well-branded yachts with world-wide presence, offer more opportunities to the Group. Thereafter, the Group has started to review this business segment, and proceeded a negotiation to re-initiate a cooperation.

Nevertheless, the management would like to emphasize that the abovementioned tea business and yacht business have not been fully launched for the year ended 31 December 2020. The Company will make appropriate announcements as soon as there is any update.

As at the date of this announcement, the Group was principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) aviation and yacht business management; (iii) property investment; (iv) investment holding; (v) financial lease services; and (vi) money lending.

Looking back to the year ended 31 December 2020, the management was of the view that the business environments were unprecedentedly challenging, and yet, the Group managed to record a stable performance. The re-organization of the Group's businesses was expected to concentrate the currently available resources into the most promising ones, and the business and financial results of such deployment have not been fully reflected in the financial statements of the Group for the year ended 31 December 2020.

On the other hand, the management was focusing on maintaining, enhancing and creating competitive advantages of the Group's businesses. Such measures include but not limited to cost control on the business of integrated circuits and semi-conductor parts, platform building on the business of aviation business management, and opportunity seeking in the possible tea business and the yacht business. The management was confident that the Group was able to tackle the harsh business environment, and achieve a long-term profitability.

The management would like to emphasize that the process of reforming the Group's business was a continuous and on-going one. New measures or strategies may be formulated or implemented from time to time. The Company will update its shareholders as soon as appropriate.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group recorded a consolidated revenue of approximately HK\$92.6 million (2019: approximately HK\$74.3 million) and a loss attributable to owners of the parent of HK\$5.5 million (2019: approximately HK\$21.1 million).

For the year ended 31 December 2020, 33.6% of the consolidated revenue came from the business of the design and sales of integrated circuits and semi-conductor parts (2019: 41.1%), while 65.5% of the consolidated revenue came from the business of aviation and yacht management (2019: 57.8%). The other businesses of the Group played a lesser role for the total revenue base.

Design and sales of integrated circuit and semi-conductor parts

Design and distribution of integrated circuit and semi-conductor parts in Mainland China, Hong Kong and Taiwan remains as one of the core businesses 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, the 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 sells the products to customers, which are usually end-product manufacturers/producers.

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. For the year ended 31 December 2020, the total product mix between caliper and MCU remained relatively stable, approximately 66% (2019: 58%) and 34% (2019: 42%) 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.

For the year ended 31 December 2020, the operation of this segment recorded (i) a revenue of approximately HK\$31.1 million (2019: approximately HK\$30.5 million); and (ii) a gross profit of approximately HK\$16.2 million (2019: approximately HK\$14.2 million). Since late 2019, the management noticed that competition in the IC market was becoming more intensive, due to technology advances, cost increases and customers’ changing demands. Especially, as the China/US trade war continued, and therefore the US dollars appreciated, the cost of raw material (e.g. silicon wafers which are of US dollar settlement) and staff continued increasing, which led to more pressures on profit margin.

Aviation business management

For the year ended 31 December 2020, the business in aviation business management recorded an improved performance, with a revenue of approximately HK\$60.7 million (2019: approximately HK\$42.9 million). Services provided by the business in aircraft business management mainly included jet business management, aircraft sales service and pilot training service. The main revenue comprised of business aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee, etc.

In February 2020, the Company announced an acquisition of 20.2% equity interest in Red Power Developments Limited, a company which is mainly engaged in aviation services. Part of the reasons for the acquisition was that one subsidiary of the target company was a recognized operator qualified to apply for permission for scheduled flights (including the right to use the airport, clearance for taking off and landing and related airport ground services) on behalf of foreign operators. The management was of the view that this acquisition was able to expand the service categories of the Group's aviation management businesses, and to enhance cooperation with its business partners. In September 2020, the Company completed this acquisition and therefore enlarged its business of aviation business management. This investment in Red Power Developments Limited has been accounted as an investment in associate, and recorded a share of profit of approximately HK\$2.7 million for the year ended 31 December 2020 (2019: not applicable).

Property Investment

In March 2020, the Company announced an acquisition of the entire issued share capital of Ideal Best Limited, and relevant shareholder loan at the consideration of approximately HK\$30.3 million. Such an acquisition was part of the settlement package between the Company and a customer from the terminated business of construction materials trading. The acquisition was completed in late December 2020.

Ideal Best Limited indirectly holds 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 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 31 December 2020.

The Saipan property constitutes the sole investment of the Group's property investment. As the property investment constitutes a new business to the Group, no material revenue was recorded in the year ended 31 December 2020.

Investment holding

As at 31 December 2020, the Group had the following investments:

- 23,000,000 unlisted shares of Cornerstone Securities Limited ("**Cornerstone Securities**"), representing approximately 8.81% of the entire issued capital of Cornerstone Securities. Cornerstone Securities is a company incorporated in Hong Kong with limited liability. It holds licenses to conduct the type 1 regulated activity (dealing in securities) and the type 4 regulated activity (advising on securities) and is principally engaged in security dealing business in Hong Kong.

For the year ended 31 December 2020, (i) no acquisition or disposal of the investment in Cornerstone Securities was conducted; (ii) no dividend in relation to the investment in Cornerstone Securities was received or claimed. As at 31 December 2020, the investment in Cornerstone Securities has a fair value of approximately HK\$12.3 million (2019: approximately HK\$23.1 million), representing approximately 8% of the total assets of the Company (2019: 14%). The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment, and does not plan for active trading.

- 15,000,000 listed shares of Imperial Pacific International Holdings Limited (“**Imperial Pacific**”), representing 0.01% of the issued shares of 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.

For the year ended 31 December 2020, (i) no acquisition or disposal of the investment in Imperial Pacific was conducted; (ii) no dividend in relation to the investment in Imperial Pacific was received or claimed. As at 31 December 2020, the investment in Imperial Pacific has a fair value of approximately HK\$0.2 million (2019: approximately HK\$1.5 million). The Company intends to hold the investment in Imperial Pacific as a passive and long-term investment, and does not plan for active trading.

- 202 unlisted shares of Red Power Developments Limited (“**Red Power**”), representing 20.2% of the entire issued capital of Red Power. Red Power is a company incorporated in the British Virgin Islands with limited liability. Through its subsidiaries, it is principally engaged in aviation management business.

For the year ended 31 December 2020, (i) no acquisition or disposal of the investment in Red Power was conducted; (ii) no dividend in relation to the investment in Red Power was received or claimed. As at 31 December 2020, the investment in Red Power has a carrying amount of approximately HK\$27.9 million (2019: not applicable), representing approximately 18% of the total assets of the Company (2019: not applicable). The Company intends to hold the investment in Red Power as a passive and long-term investment, and does not plan for active trading.

Other businesses

Looking back into the year ended 31 December 2020, the business environment was tough and challenging, with the long-lasting COVID-19 pandemic and the ever-changing China/US trade wars. The threats of lower economy growth momentum, higher cost pressure, stronger competitive forces and more uncertain prospects were noticeable in late 2019 but had become more obvious in 2020. Despite the management used their best endeavor to deal with such hardship, certain business segments of the Group shew no sign of a turnaround in the performance. Accordingly, the Group had no other alternatives but to downscale, terminate, or dispose of such business segments, including (i) trading of construction materials; (ii) financial leasing in the PRC; (iii) money lending in Hong Kong; and (iv) research and development in real time 2D-3D conversion display products.

- **Trading of construction materials**

Since March 2020, the Group decided to terminate the business in the trading of construction materials, by not seeking new and by focusing on recovering the outstanding trade receivables. For the year ended 31 December 2020, the operation of this segment recorded nil revenue (2019: nil).

The negative performance of this segment was firstly noticed in 2019, mainly due to the slow economy wherein the customers of this business were located. Then in the early 2020, there was no sign of improvement in the business environment, with certain customers incurred a total stagnancy in operation. Accordingly, the management decided to exit from this business segment and to avoid unnecessary costs, such as marketing and promotion expenses.

On the other hand, the management has shifted their focuses on recovering outstanding receivables from this business segment. In March 2020, the management noticed that certain customer was experiencing a financial difficulty due to the COVID-19 outbreak and the local economic recessions, and therefore recoverability of receivables of approximately HK\$23 million from the customer significantly deteriorated. Later the management escalated the responsive measure by entering into a settlement arrangement with the customer, including that the Company would purchase a Saipan property from the customer with the consideration paid by setting off the outstanding receivables from the customer.

- **Financial leasing in the PRC**

Since March 2020, the Group decided to scale-down the business in financial leasing in the PRC, as a response to the increasing credit risks. For the year ended 31 December 2020, the operation of this segment recorded a revenue of approximately HK\$0.8 million (2019: approximately HK\$0.9 million).

After the unexpected shock from the COVID-19 outbreak and under the unpredictable China/US relationship, the financial leasing industry in the PRC for the year ended 31 December 2020 witnessed a general trend which was characteristic with delay in lease payment, decrease in collateral value and increase in default rate. After carefully reviewing the Group's strategic position in this segment, including the limited resources available to expand or maintain the Group's competitive advantages, the management decided to scale-down this segment, with no plan to actively solicitate business opportunities unless a favorable one arises. As at 31 December 2020, the total money value of leasing amounts was approximately HK\$3.4 million (2019: approximately HK\$5.7 million).

- **Money lending in Hong Kong**

Since March 2020, the Group decided to scale-down the business in money lending in Hong Kong, with a focus on monitoring and managing existing loan portfolio without active expansion. For the year ended 31 December 2020, the operation of this segment recorded nil revenue (2019: nil).

Since the COVID-19 outbreak commenced in late 2019, the Hong Kong economy had been decreasing at the sharpest rate in over one decade. Under the doom of a political uncertainty and an economic recession, the management believed that the credit risks of most potential customers of this business segment had surpassed the acceptable levels to the Group. Accordingly, no new customers or loan transactions were proceeded for the year ended 31 December 2020.

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

In March 2020, the Group disposed of the business in the research and development in real time 2D-3D conversion display products.

This business was acquired by the Group in January 2019. As it had 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 this business, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan. Therefore, the Company was of the view that this business' full potential might take a longer time to realize than the Company's original expectation. Hence,

the Company decided to exit from this business via a disposal, which was completed in June 2020. Given the relatively small size of this business, the disposal had no material impact on the operations and financials of the Group as a whole.

Nevertheless, the Company wished to keep an option to re-enter into this business sector by successfully negotiating with the purchaser so that the Company could exercise a buy-back right to repurchase this business within one year and at an acceptable repurchase price. As at this stage, the Company had no intention to exercise the buy-back option.

BUSINESS OUTLOOK

For the year ended 31 December 2020, the Group recorded a relatively stable performance under the unprecedentedly challenging environment. With a reform of the business portfolio which was still on-going, the management believed that the Group was able to deploy its resources into the business with a promising future, and therefore enhance its revenue base and create a long-term profitability.

Design and sales of integrated circuit and semi-conductor parts

The management shall carry on effort to improve the existing products over competitors in terms of performance as well as price. Meanwhile, the management is 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.

Aviation business management

The management will continue to explore business opportunities relating to aviation business management. The Group adopts a market-expansion strategy by actively identifying potential clients.

Property investment

The management is still construing a suitable business strategy for the Saipan property. The Group will closely monitor the local property market with a mind on re-sale. Nevertheless, it will not rule out the possibility of leasing the property to create short-term income. In either way, the management is of the view that the Saipan property remains as a stable and reliable investment with considerable potential.

Investment holding

With uncertainty over international trade and longer-term global economic and financial trends, the management will maintain a cautious and prudence approach for exploring any new investment opportunities to enhance shareholder's value.

Other businesses

For the year ended 31 December 2020, the Group has terminated its business in trading of construction material and the business of research and development in real time 2D-3D conversion display products. Given the current circumstances, the Group will not re-enter such businesses in a short term.

For the financial leasing in the PRC and money lending in Hong Kong, no material expansion of these businesses is likely in the near future. The strategic focus will be placed to monitor the recoverability of the financial leases and loans granted before.

Possible tea businesses

As at this stage, the Group is conducting a feasibility study on the tea business. Based on the currently available information to the management, the tea business is of valuable potential and may create a long-term profit to the Group. Nevertheless, the management is still construing a proper strategy to tap into this business.

Possible yacht business

As at this stage, the Group was re-considering and re-negotiating on the yacht business which was planned in late 2019. Based on the currently available information to the management, the yacht business has a broad market with rich opportunities. Nevertheless, the management is still reviewing all possible strategies, including but not limited to acting as sale agent for a producer, forming joint venture with an existing market participant, direct investing in the production companies, direct investing in the final products, etc.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations, financials and prospects are affected by risks and uncertainties. Based on a review on the operation and environment of the Group's businesses, the risk factors listed below may directly or indirectly lead to significant differences in the Group's operating performances, financial positions and development prospects from its expected or past performances. These factors are not comprehensive, and there may be other risks and uncertainties that are not known by the Group or may not be noticeable at present, but may become significant in the future.

Business Risk

Performance of all business segments of the Group may be affected by fluctuations in market prices and market demands of the Group's final products and services. Some products, for example, integrated circuits and semi-conductor parts manufactured by the Group, have a relatively standardized design and/or predetermined production cycle, and therefore may not be able to meet changeable requirements of the customers. On the other hand, the aviation management services are subject to the price competitions from other service providers. If the Group fails to adapt and respond successfully, it may adversely affect the business performance and development prospects.

Raw materials or outsourced services which are provided by the Group's suppliers are subject to price fluctuations. The Group does not enter into any material contracts to hedge against such price fluctuations. Therefore, any increases in these raw materials or outsourced services will exert pressures on the Group's costs, gross profits and final prices that the Group in turn charges the customers. Should there be any significant increases in the prices of raw materials or outsourced services which are out of expectation over a period, it will significantly damage the Group's performances.

Industry Risk

All business segments of the Group are operated in industries which are highly competitive. Competition may intensify as the Group's competitors expand their product or service, lower their prices, or increase their qualities. There may be new competitors entering the Group's existing markets as well. If the Group does not compete successfully against existing and new competitors, the Group may not be able to maintain its existing business scale and operation performance.

Policy Risk

Some business segments of the Group must abide by various policies and regulations. For example, the financial leasing in the PRC, the money lending in Hong Kong and the aviation business management are all subject to intensive compliance requirements. Central and local regulators may require the Group to apply for new licenses, and impose new rules, regulations or requirements. Changes in policies and regulations will affect the development of the Group's business, such as increasing compliance costs and reducing business opportunities.

Credit Risk

All business segments of the Group allow a credit for their customers' payment. All trade and other receivables are accounted by their carrying amounts less expected credit loss. However, such amounts do not represent the Group's maximum exposure to credit risk. On the other hand, the Group also have some long-term equity investments in listed and unlisted companies in Hong Kong. All the Group's financial assets, including trade and other receivables and equity investments, are subject to credit risk. Save for their own performances of each individual customer and each invested company, there are a lot of factors which can affect their credit risks, such as the general economy, government policies and investor confidences.

Other Risks

Some risks are not noticeable from the daily operations of the Group, but they can have a material adverse impact on the Group. For the year 2020, the COVID-19 outbreak and the China/US trade war both caused significant impacts on the businesses of the Group. For example, under the safety concerns that the COVID-19 pandemic imposed on the workers, the management had to amend their usual business strategies, such as re-scheduling the production process or investing more in hygiene facilities. However, there was no guarantee that such measures were effective in the long term. On the other hand, such significant events may deteriorate other risks and uncertainty that the Group are facing, such as an increased credit risk. Given the complexity, materiality and unpredictability of these events, the Group is of the view that their impacts may take a longer time to fully emerge. Therefore, the financial results of the Group in the past may not have fully reflected all impacts caused by the COVID-19 pandemic and the China/US trade war.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group achieved a revenue of approximately HK\$92.6 million (2019: approximately HK\$74.3 million). 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 business segment, i.e. the aviation business management. On the other hand, certain business segments, including the trading in construction materials, the financial leasing in the PRC and the money lending in Hong Kong, had experienced a hard business environment and a sharp operation downsize, and therefore recorded a minimal revenue for the year ended 31 December 2020.

Operating expenses

Operating expenses amounted to approximately HK\$39.6 million for the year ended 31 December 2020 (2019: approximately HK\$52.8 million). Such decrease was mainly due to decrease in staff salaries and administrative costs.

Loss for the year

For the year ended 31 December 2020, loss for the year attributable to owners of the parent was approximately HK\$5.5 million (2019: approximately HK\$21.1 million). The decrease in loss was mainly attributable to decrease in material costs, staff salaries and administrative costs. Basic loss per share attributable to ordinary equity holders of the parent was approximately HK\$1.58 cents (2019: approximately HK\$6.26 cents).

Liquidity and financial resources

For the year ended 31 December 2020, the Group had no fund-raising activities.

As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately HK\$28.0 million (2019: approximately HK\$8.5 million). The Group had no outstanding bank loan as at 31 December 2020 (2019: nil), and no financing cost was incurred for the year ended 31 December 2020 (2019: 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 31.9% as at 31 December 2020 (2019: approximately 41.8%). The Group did not have any debt financing during the period, 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 2020, there was no change to the authorized share capital of the Group.

As at 1 January 2020, the Company has issued a total of 336,587,142 shares in the par value of HK\$0.1 each. On 1 September 2020, the Company issued 33,658,000 new shares by utilizing the general mandate granted to the Directors at the 2020 annual general meeting. The 33,658,000 new shares were issued as consideration paid for an acquisition of 20.2% equity interest in Red Power Developments Limited, a company which is mainly engaged in aviation services. As at 31 December 2020, the Company has issued a total of 370,245,142 shares in the par value of HK\$0.1 each. All shares are fully paid and rank pari passu with each other in all respects.

As at 31 December 2020, the shareholders' fund amounted to approximately HK\$107.3 million (2019: approximately HK\$96.5 million).

Pledge of assets

As at 31 December 2020, the Group did not have any pledge of assets (2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2020, the Company has completed:

(i) An acquisition of 20.2% equity interest in Red Power Developments Limited

On 14 February 2020, the Company announced 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. Part of the reasons for the acquisition was to solidate the business platform of the Group's aviation management business.

The consideration for the Investment in Red Power was settled by the allotment and issuance, credited as fully paid, of 33,658,000 consideration Shares by the Company. Upon completion of the acquisition, the Investment in Red Power was accounted as an investment in associate.

Acquisition of the Investment in Red Power was completed on 1 September 2020.

(ii) An acquisition of the entire equity interest of Ideal Best Limited

On 27 March 2020, the Company announced to purchase the sale share, representing the entire issued share capital of Ideal Best Limited (“**Ideal Best**”) 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 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. Upon completion, (i) Imperial Pacific will no longer owe any material debt to the Group; (ii) Ideal Best will become a direct wholly owned subsidiary of the Company; and (iii) the financial statements of the group of Ideal Best will be consolidated into the financial statements of the Group.

Acquisition of the Investment in Ideal Best was completed on 1 December 2020.

(iii) A disposal of the entire equity interest of Bright Team International Group Limited

On 28 March 2020, the Company announced that it planned to dispose of the entire equity interests of the sale share, representing the entire issued share capital of Bright Team International Group Limited (“**Bright Team**”) (the “**Investment in Bright Team**”) at the consideration of HK\$2.5 million. Nevertheless, the purchaser agreed to grant to the Company a buy-back right to repurchase the interests in Bright Team at HK\$2.6 million within 12 months.

Group of Bright Team is principally engaged in hardware and software integration services for real time 2D-3D conversion display products. As it 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 the subject business, such as providing marketing and funding, and there was a mismatch between the Company and other investors regarding the development plan of the subject business. Therefore, the Company was of the view that the subject business’ full potential might take a longer time to realize than the Company’s original expectation.

Disposal of the Investment in Bright Team was completed on 26 June 2020.

MATERIAL COMMITMENT

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.

As at 31 December 2020, the gross value of outstanding consideration payable under the lease agreement by the Company amounted to approximately HK\$4.5 million.

TRANSACTIONS AFTER THE REPORTING PERIOD

Save as disclosed, there was no other significant event after the reporting period and up to the date of this announcement.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2020 (2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 62 employees (2019: 74 employees). For the year ended 31 December 2020, total employee benefits expenses, including Directors' emoluments, amounted to approximately HK\$21.1 million (2019: HK\$24.1 million). 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.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: nil).

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2020, the Company has complied with the principles as set out in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and complied with the code provisions contained therein except for the following deviation:

- (i) Code provision A.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. Before that Mr. Xu Beinan was appointed as the executive Director and the chief executive officer of the Company on 14 April 2020 and after that Mr. Xu Beinan resigned as the executive Director and the chief executive officer of the Company on 20 August 2020, the Company has not appointed a chief executive officer. For these concerned periods, the roles and functions of the chief executive officer have been performed by all the executive Directors collectively.

- (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. Three executive Directors and one independent non-executive Director were unable to attend the annual general meeting of the Company held on 22 June 2020 after considering the quarantine measures adopted by the governments for the COVID-19 outbreak. Nevertheless, other members of the Board attended this meeting to ensure effective communication with the shareholders of the Company.
- (iv) Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting of the Company. After considering the quarantine measures adopted by the governments for the COVID-19 outbreak, Mr. Yang Lin, chairman of the Board, did not attend the annual general meeting of the Company held on 22 June 2020. However, other members of the Board (including executive Directors and non-executive Director) attended the 2020 AGM to ensure effective communication with the shareholders of the Company.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

NON-COMPLIANCE WITH THE RULES 3.10(1), 3.10(2), 3.10A AND 3.21 OF THE LISTING RULES

On 8 June 2020, Mr. Lee Man To and Ms. Choi Yee Man resigned as independent non-executive Directors. Following their resignation, the Company failed to meet the requirement under (i) the Rule 3.10(1) of the Listing Rules, which requires the Board to have at least three independent non-executive Directors; (ii) the Rule 3.10(2) of the Listing Rules, which requires at least one of the independent non-executive Directors to have appropriate professional qualifications or accounting or related financial management expertise; (iii) the Rule 3.10A of the Listing Rules, which requires the independent non-executive Directors to constitute at least one-third of the Board; and (iv) the Rule 3.21 of the Listing Rules, which requires the Audit Committee to have at least three members and a chairman.

On 23 June 2020, Ms. Ching Ching was appointed as an independent non-executive Director, the chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee. On 17 July 2020, Ms. Weng Yuzhen was appointed as an independent non-executive Director, and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Thereafter, the Company has complied with the Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

CHANGE OF DIRECTORS

From 1 January 2020 to the date of this announcement:

- (i) Mr. Liu Shixia has resigned as an executive Director on 14 April 2020;
- (ii) Mr. Xu Beinan has been appointed as an executive Director and the chief executive officer of the Company on 14 April 2020;
- (iii) Mr. Lee Man To has resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee on 8 June 2020;
- (iv) Ms. Choi Yee Man has resigned as an independent non-executive Director, the chairman of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee on 8 June 2020;
- (v) Ms. Ching Ching has been appointed as an independent non-executive Director, the chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee on 23 June 2020;
- (vi) Ms. Weng Yuzhen has been appointed as an independent non-executive Director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 17 July 2020;
- (vii) Mr. Xu Beinan has resigned as an executive Director and the chief executive officer of the Company on 14 August 2020; and
- (viii) Ms. Li Weina has been appointed as an executive Director on 14 August 2020.

CHANGES IN INFORMATION OF THE DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, and save as disclosed, there was no change in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2020.

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 2020.

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

As at 31 December 2020, 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 to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

GENERAL OFFER AND SUBSEQUENT PLACING OF A CONTROLLING SHAREHOLDER

On 22 December 2020, Zhongying Int’l Holding Group Limited (“**Zhongying**”) and the Company jointly announced that Zhongying would purchase 127,992,770 shares of the Company, representing approximately 34.57% of the total issued share capital of the Company, from Glory Genius International Holdings Limited, a previous controlling shareholder of the Company.

The purchase of 127,992,770 shares completed on 23 December 2020. Following the completion, Zhongying and parties acting in concert with it became interested in an aggregate of 161,650,770 Shares, representing approximately 43.66% of the existing issued share capital of the Company. As a result of the Completion, Zhongying was required to make a conditional mandatory cash offer for all the issued shares of the Company not already owned by Zhongying and parties acting in concert with it pursuant to the Hong Kong Code on Takeovers and Mergers. SPDB International Capital Limited, on behalf of Zhongying, made the offer (the “**Offer**”) to acquire all the offer shares on the basis of HK\$1.345 in cash for each offer share.

The Offer was closed on 2 February 2021. Zhongying received valid acceptances in respect of a total of 167,156,242 offer shares, representing approximately 45.15% of the entire issued share capital of the Company. Accordingly, Zhongying and parties acting in concert with it held a total of 328,807,012 shares, representing approximately 88.81% of the entire issued share capital of the Company, immediately after completion of the Offer.

In order to restore the public float of the Company, Zhongying proceeded a placing of 51,124,000 shares from 25 February 2021 to 3 March 2021. Upon completion of the placing, 51,124,000 shares, representing approximately 13.81% of the issued share capital of the Company, had been placed to not less than six places who are third parties independent of the Company and its connected persons and parties not acting in concert with Zhongying, at the placing price of HK\$1.345 per placing share. Accordingly, Zhongying and parties acting in concert with it held a total of 277,683,012 shares, representing approximately 75.00% of the entire issued share capital of the Company, immediately after completion of the placing.

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

As at the date of this announcement, the interest and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) of the substantial shareholders (other than the Directors and chief executives of the Company) as recorded in the register required to be kept under Section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange, were as set out below:

Name of shareholders	Capacity	Number of ordinary shares/Percentage of total issued shares as at the date of this announcement ^(Note 1)				Note
		Long positions	%	Short positions	%	
Ever Digital Limited ("Ever Digital")	Beneficial owner	33,658,000	9.09%	–	–	(2)
Zhongying	Beneficial owner and interest of controlled corporation	277,683,012	75.00%	–	–	(2)
Mr. Duan Hongtao	Interest of controlled corporation	277,683,012	75.00%	–	–	(3)

Notes:

- (1) Based on 370,245,142 ordinary shares of the Company in issue as at the date of this announcement.
- (2) Zhongying owned 244,025,012 ordinary shares of the Company, and 100% interest in Ever Digital, which owned 33,658,000 ordinary shares of the Company.
- (3) Zhongying is owned by Mr. Duan Hongtao and Mr. Duan Chunchao as to 99% and 1% respectively.

SUFFICIENCY OF PUBLIC FLOAT

Upon completion of a general offer of Zhongying in January and February 2021, 41,438,130 shares, representing approximately 11.19% of the entire issued share capital of the Company, were held by the public (as defined under the Listing Rules). Accordingly, the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules.

An application was made by the Company to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules. On 3 March 2021, the Stock Exchange granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to the Company for a period from 2 February 2021 to 26 March 2021, subject to certain conditions.

On 3 March 2021, Zhongying completed a placing of 51,124,000 shares. Thereafter, a total of 92,562,130 Shares, representing approximately 25.00% of the issued share capital of the Company, were held by the public. As such, the public float of the Company was restored to not less than 25% of the issued share capital of the Company.

Trading in the shares of the Company was suspended from 9:00 a.m. on 3 February 2021 due to the insufficiency in public float, and was resumed from 9:00 a.m. on 5 March 2021 due to the restoration in 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.

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 2020.

AUDIT COMMITTEE

The audit committee of the Group comprises solely independent non-executive Directors, namely Ms. Ching Ching (chairman), Ms. Weng Yuzhen and Dr. Zhang Shengdong. The Group's annual results for the year ended 31 December 2020 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF AUDITORS

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 2020 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 results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (<http://pacray.com.hk>). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting, together with a circular therefor, 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 my sincere thanks 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.

By Order of the Board
PacRay International Holdings Limited
Yang Lin
Chairman

Hong Kong, 30 March 2021

As at the date of this announcement, the Board of the Company comprises nine Directors. The executive Directors are Mr. Yang Lin, Ms. Lau Mei Ying, Mr. Leung Pok Man, Ms. Li Wei Na and Mr. Xu Yinsheng; the non-executive Director is Mr. Zhou Danqing; and the independent non-executive Directors are Ms. Ching Ching, Ms. Weng Yuzhen and Dr. Zhang Shengdong.