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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 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of PacRay International Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred hereinafter as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Notes</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
REVENUE	5	105,619	92,647
Cost of sales		<u>(69,955)</u>	<u>(68,682)</u>
Gross profit		35,664	23,965
Other income and gains, net	5	10,941	15,762
Selling and distribution costs		(10,244)	(1,070)
General and administrative expenses		(49,114)	(39,593)
Impairment of investment in an associate	12	(20,315)	–
Finance costs	6	(3,919)	(518)
Impairment of financial assets		(7,757)	(6,106)
Share of losses and profits of an associate		<u>(7,806)</u>	<u>2,740</u>
LOSS BEFORE TAX	7	(52,550)	(4,820)
Income tax expense	8	(290)	(733)
LOSS FOR THE YEAR		<u>(52,840)</u>	<u>(5,553)</u>
Attributable to:			
Owners of the Company		(52,840)	(5,495)
Non-controlling interests		<u>–</u>	<u>(58)</u>
		<u>(52,840)</u>	<u>(5,553)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	<i>10</i>		
– Basic and diluted		<u>HK(14.26) cents</u>	<u>HK(1.58) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(52,840)</u>	<u>(5,553)</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	2,987	2,653
Share of other comprehensive income of an associate	177	–
Disposal of subsidiaries	(683)	–
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>(3,901)</u>	<u>(10,779)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(1,420)</u>	<u>(8,126)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(54,260)</u>	<u>(13,679)</u>
Attributable to:		
Owners of the Company	(54,260)	(13,621)
Non-controlling interests	<u>–</u>	<u>(58)</u>
	<u>(54,260)</u>	<u>(13,679)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,672	2,751
Investment properties	11	30,328	30,328
Right-of-use assets		64	5,092
Investment in an associate	12	–	27,944
Equity investments designated at fair value through other comprehensive income		8,420	12,321
Deferred tax assets		670	646
Long-term deposits		–	211
Total non-current assets		<u>43,154</u>	<u>79,293</u>
CURRENT ASSETS			
Finance lease receivable		2,431	3,428
Inventories		1,346	4,041
Trade and bills receivables	13	34,054	23,359
Prepayments, other receivables and other assets	14	127,649	12,609
Loans receivable		–	6,490
Financial assets at fair value through profit or loss		67	150
Tax recoverable		171	167
Cash and cash equivalents		86,172	28,031
Total current assets		<u>251,890</u>	<u>78,275</u>
CURRENT LIABILITIES			
Trade payables	15	19,819	23,227
Other payables and accruals		15,868	19,414
Lease liabilities		70	5,620
Loans from a shareholder	16	194,333	–
Tax payable		2,404	1,954
Total current liabilities		<u>232,494</u>	<u>50,215</u>
NET CURRENT ASSETS		<u>19,396</u>	<u>28,060</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>62,550</u>	<u>107,353</u>
NON-CURRENT LIABILITIES			
Lease liabilities		–	67
NET ASSETS		<u>62,550</u>	<u>107,286</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	37,025	37,025
Other reserves		119,701	111,597
Accumulated losses		(94,176)	(41,336)
Total equity		<u>62,550</u>	<u>107,286</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 CORPORATE AND GROUP INFORMATION

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 Group was principally engaged in (i) the design and sales of integrated circuits and semi-conductor parts; (ii) executive jet management; and (iii) sales of yachts and other yachting related businesses.

In the opinion of the Directors, the holding company and ultimate holding company of the Company is Zhongying Int'l Holding Group Limited ("Zhongying Int'l"), which was incorporated in Hong Kong.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the 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"), the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange, and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand ("HK\$'000") except which 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform — Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

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 operating 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) executive jet management services;
- (iii) sales of yachts and other yachting related businesses;
- (iv) property investment; and
- (v) the “Headquarter and others” segment comprises principally the Group’s corporate administrative and investment functions performed by the headquarter and provision of finance lease services.

During the year, the Group deployed additional resources to expand its existing yachting business from mega yacht management to distribution, construction and refitting of mega yachts. After carefully reviewing the Group’s strategic position in its finance lease services, the management of the Group (the “**Management**”) had decided to scale-down this segment. Accordingly, the reportable operating segment is revised to separately present the yachting businesses and include the finance lease services in “Headquarter and others” as described above. Considering the scale of yachting businesses and finance lease services were not significant in prior year, the reportable operating segment for prior year is not presented in this regard.

4 OPERATING SEGMENT INFORMATION (continued)

	Design and sales of integrated circuits <i>HK\$'000</i>	Executive jet management <i>HK\$'000</i>	Yachting businesses <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Headquarter and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021						
Revenue from external customers	<u>39,538</u>	<u>63,805</u>	<u>1,929</u>	<u>-</u>	<u>347</u>	<u>105,619</u>
Operating profit/(loss)	5,344	798	(16,876)	-	(41,999)	(52,733)
Interest income	<u>167</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>183</u>
Profit/(loss) before income tax	<u>5,511</u>	<u>798</u>	<u>(16,860)</u>	<u>-</u>	<u>(41,999)</u>	<u>(52,550)</u>
Other segment information:						
Depreciation of property, plant and equipment	(592)	-	-	-	(335)	(927)
Depreciation of right-of-use assets	(739)	-	-	-	(4,280)	(5,019)
Gain on disposal of subsidiaries	-	-	-	-	5,595	5,595
Share of loss of an associate	-	-	-	-	(7,806)	(7,806)
Impairment of investment in an associate	-	-	-	-	(20,315)	(20,315)
Reversal of provision for inventories	142	-	-	-	-	142
Impairment of financial assets	-	(718)	-	-	(7,039)	(7,757)
Fair value losses on financial assets at fair value through profit or loss	(83)	-	-	-	-	(83)
Finance costs	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,897)</u>	<u>(3,919)</u>
Capital expenditure*	<u>308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,492</u>	<u>1,800</u>
Segment assets	<u>39,201</u>	<u>32,186</u>	<u>125,894</u>	<u>30,328</u>	<u>67,435</u>	<u>295,044</u>
Segment liabilities	<u>9,024</u>	<u>22,374</u>	<u>1,078</u>	<u>-</u>	<u>200,018</u>	<u>232,494</u>

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 of 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 for inventories	(1,023)	-	-	-	-	(1,023)
Reversal of impairment/(impairment) of financial assets	44	(5,615)	(183)	-	(352)	(6,106)
Fair value losses on financial assets at fair value through profit or loss	-	-	-	-	(1,395)	(1,395)
Finance costs	<u>(67)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(451)</u>	<u>(518)</u>
Capital expenditure*	<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>

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

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	65,734	60,714
The People's Republic of China (the "PRC")	39,885	31,933
	<u>105,619</u>	<u>92,647</u>

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

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,586	4,735
the PRC	2,150	31,263
The Island of Saipan	30,328	30,328
	<u>34,064</u>	<u>66,326</u>

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

Information about major customers

During the year ended 31 December 2021, revenue of HK\$63,805,000 (2020: HK\$58,393,000) was derived solely from a single customer of the executive jet management business, which individually accounted for over 60% of the Group's total revenue.

5 REVENUE AND OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue		
Sales of integrated circuits	39,538	31,105
Executive jet management services	63,805	58,393
Mega yacht management services	1,929	2,321
Finance lease services	347	828
	<u>105,619</u>	<u>92,647</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains, net		
Interest income	183	482
Management fee income		
– From a third party	1,827	11,342
– From a shareholder	3,223	–
– From a related party	–	93
	5,050	11,435
Government subsidies*	–	1,142
Gain on disposal of subsidiaries	5,595	4,371
Fair value losses of financial assets at fair value through profit or loss	(83)	(1,395)
Loss on disposal of property, plant and equipment	–	(291)
Sundry income	196	18
	<u>10,941</u>	<u>15,762</u>

* The government subsidies had no unfulfilled conditions or contingencies.

6 FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	62	518
Interest on loans from a shareholder	3,857	–
	<u>3,919</u>	<u>518</u>

7 LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	14,635	14,884
Depreciation of property, plant and equipment	927	942
Depreciation of right-of-use assets	5,019	10,031
Auditor's remuneration	1,060	1,060
Employee benefits expenses (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	29,530	17,777
Pension scheme contributions	2,309	807
	31,839	18,584
Foreign exchange difference, net	27	39
(Reversal of provision)/provision for inventories*	(142)	1,023
Impairment of finance lease receivable#	1,057	2,667
Impairment of trade and bills receivables#	100	139
Impairment of loans receivable#	6,582	2,013
Impairment of other receivables#	18	1,287

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

Included in "Impairment of financial assets" in the consolidated statement of profit or loss.

8 INCOME TAX EXPENSE

The Group is exempted from taxation in Bermuda. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2 million estimated assessable profits arising in Hong Kong and 16.5% on such profits above HK\$2 million during the year. Taxes on assessable profits for the PRC subsidiaries are provided at the Enterprise Income Tax rate of 25%.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current — Hong Kong	73	773
— the PRC	217	—
Over-provision in prior years — the PRC	—	(40)
Total tax charge for the year	290	733

9 DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2021 nor has any dividend been proposed since the end of the reporting period (2020: Nil).

10 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss:		
Loss attributable to ordinary equity holders of the Company used in the basic and diluted loss per share calculation	<u>52,840</u>	<u>5,495</u>
	Number of shares	
	2021 <i>'000</i>	2020 <i>'000</i>
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>370,425</u>	<u>347,806</u>

(b) Diluted

The Group has not issued any potentially dilutive ordinary shares during the year ended 31 December 2021 and 2020.

11 INVESTMENT PROPERTIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount at 1 January	30,328	–
Acquisition of assets and liabilities	–	30,328
	<u>30,328</u>	<u>30,328</u>
Carrying amount at 31 December	<u><u>30,328</u></u>	<u><u>30,328</u></u>

The Group's investment properties comprise a leasehold land with certain apartment buildings in the Island of Saipan. The Directors have determined that the Group's investment properties asset are solely the leasehold land, based on the nature, characteristics and risk of each property.

The fair value of the Group's investment properties was based on the valuation performed by Graval Consulting Limited (2020: BMI Appraisals Limited), an independent professional qualified valuer, which was valued at approximately HK\$30,328,000 (2020: approximately HK\$30,328,000). Each year, the Management decides the appointment of the external valuer to be responsible for the valuation of the Group's properties. The selection criteria include market knowledge, reputation, independence and their professional standards. The Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting purpose.

12 INVESTMENT IN AN ASSOCIATE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Share of net assets	7,592	15,221
Goodwill on acquisition	12,723	12,723
Impairment of investment in an associate	(20,315)	–
	<u><u>–</u></u>	<u><u>27,944</u></u>

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 the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC.

The COVID-19 pandemic and the resultant travel restrictions and quarantine requirements had dreadfully impacted the worldwide aviation industry. Red Power and its subsidiaries were also victimized by these epidemic control measures, which in turn, severely affected the businesses and cash flow forecast of Red Power. Accordingly, the Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised for the year ended 31 December 2021.

13 TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	32,356	20,102
Loss allowance	(412)	(312)
	<u>31,944</u>	<u>19,790</u>
Bills receivables	2,110	3,569
	<u>34,054</u>	<u>23,359</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	5,544	6,875
More than 1 month but less than 3 months	13,664	10,105
More than 3 months	12,736	2,810
	<u>31,944</u>	<u>19,790</u>

14 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deposits and other receivables	2,993	6,222
Prepayments	126,033	7,957
Loss allowance	(1,377)	(1,359)
	<u>127,649</u>	<u>12,820</u>
Less: non-current portion	–	(211)
	<u>127,649</u>	<u>12,609</u>

Deposits and other receivables mainly represent rental deposits, interest receivables of loans to independent third parties. Where applicable, an impairment analysis is performed on deposits and other receivables at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit rating can be identified, expected credit losses are estimated by a loss rate of 62% (2020:

14 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

44%) with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forward-looking information, as appropriate. As at 31 December 2021 and 2020, the Group concluded that the probability of default and loss rate are low and the financial impact of expected credit losses for deposits and other receivables under HKFRS 9 is insignificant for the years ended 31 December 2021 and 2020.

Prepayments mainly represent the subcontracting costs for two yachts of RMB97,810,000 (approximately of HK\$120,307,000) made to an external yacht builder. The yachts are still under construction as at the date of this announcement.

15 TRADE PAYABLES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	4,478	1,707
More than 1 month but less than 3 months	3,939	2,284
More than 3 months	11,402	19,236
	<u>19,819</u>	<u>23,227</u>

The trade payables are non-interest bearing and are normally settled within 30 to 90 days.

16 LOANS FROM A SHAREHOLDER

Zhongying Int'l, the controlling shareholder of the Company, granted two loans of HK\$100,000,000 each to the Company respectively on 12 May 2021 and 28 October 2021, aggregating HK\$200,000,000 ("Shareholder Loans"). These loans are unsecured, interest-free and repayable in 1 year. The effective interest rate of these loans is 5% per annum.

17 SHARE CAPITAL

	Number of shares '000	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 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
	<u>370,245</u>	<u>37,025</u>	<u>122,468</u>	<u>159,493</u>
At 31 December 2020, 1 January 2021 and 31 December 2021	<u>370,245</u>	<u>37,025</u>	<u>122,468</u>	<u>159,493</u>

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 Ever Digital Limited as consideration shares for the 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 of which HK\$3,366,000 was credited to share capital and HK\$21,205,000 was credited to share premium account. Further details of which are set out in the Company's announcement dated 14 February 2020 and 1 September 2020.

18 EVENTS AFTER THE REPORTING PERIOD

On 31 December 2021, the Group entered into a sales agreement with an independent third party to sell a 46-meter yacht at a consideration of RMB110,000,000. The yacht was passed to the buyer on 12 February 2022 in good condition, upon which the control of the yacht was also transferred to the buyer.

On 1 March 2022, the Group reached an agreement with an independent third party which was authorised to act as the agent of the Group and granted the exclusive yacht agency in Hong Kong for a term of 3 years, effective from 1 March 2022 to 28 February 2025.

On 23 March 2022, the Group signed a sales agreement with an independent third party to sell four 46-meter yachts at a consideration of US\$60 million. As at the date of this announcement, these four ordered yachts are still under construction, and are expected to be completed in the third quarter of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2021 was a challenging year to the Group. The COVID-19 pandemic has given rise to a challenging and uncertain economic environment to the global market and brought prolonged adverse impact on all kinds of businesses. There is still no indication that the economy could fully recover from the severe and long-lasting impact of the COVID-19 pandemic in the short-term.

In response to this extremely difficult situation, the Group has been closely monitoring its business portfolio and has actively taken various decisive measures to reform. Objectives of these measures were: (i) to maintain the core businesses that can create reliable returns with competitive advantages; (ii) to exit from businesses that have not met 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.

In 2021, the Group's core businesses include i) the design and sales of integrated circuits and semi-conductor parts, ii) executive jet management, and iii) sales of yachts and other yachting related businesses. The Management has worked relentlessly to optimize the Group's business portfolio in order to take advantage of the coming recovery in the market.

As a result of the reform by the Management, the Group terminated its finance lease and money lending businesses in the PRC and Hong Kong, respectively, and disposed of the entire equity interests of the tea business in the PRC in 2021. The Group also adopted a passive strategy for its investment properties in the Island of Saipan, where the local property market was relatively inactive because of the severe impact of the pandemic.

By virtue of the aforesaid re-organization, the Group was able to concentrate its resources on the core businesses, in particular, the yachting related businesses. The business and financial results of such deployment have not yet been fully reflected in the consolidated financial statements of the Group for the year ended 31 December 2021.

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 executive jet management, and active marketing and branding in the yachting related businesses. 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 portfolio was a continuous and on-going process. New measures or strategies may be formulated or implemented from time to time, depending on availability and feasibility of the then opportunities. Should there be any update, the Group will inform its shareholders as soon as appropriate.

SEGMENT REVIEW

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 acquires raw material integrated circuit (“IC”) and semi-conductor related parts from external suppliers and relies on internet technology and related equipment for the design of IC related products before sourcing out to external sub-contractors for production. The Group does not involve in the manufacturing processes in the course of business.

The Group’s IC products are used in industrial and housing measuring tools and electronic bicycles battery charger market. The core research and development team in Shanghai 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, 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 2021, the total product mix between caliper and MCU remained relatively stable, approximately 78% (2020: 66%) and 22% (2020: 34%) of the revenue was generated from the caliper and MCU respectively.

For the year ended 31 December 2021, the operation of this segment recorded (i) a revenue of approximately HK\$39.5 million (2020: approximately HK\$31.1 million); and (ii) a gross profit of approximately HK\$24.9 million (2020: approximately HK\$16.2 million). The Management noticed that competition in the IC market was becoming more intensive, due to swift advance in technology, increase in cost of production and change in customers’ demands, which added further pressure on profit margins.

Executive jet management

For the year ended 31 December 2021, the business of executive jet management recorded a slight improvement, with a revenue of approximately HK\$63.8 million (2020: approximately HK\$58.4 million). Services provided by this business mainly include executive jet management, aircraft sales service and pilot training service. The main revenue comprised of aircraft management service fee, aircraft operation agency fee, pilot rental fee, aircraft maintenance and management fee.

The Management adopted a customer-oriented strategy and focused on improving the service quality, as well as expanding the service categories, with an aim to build up competitive advantages to tackle with external competitions.

Yachting businesses

The Group commenced to look for business opportunities in the yachting businesses since 2019 by entering into a non-exclusive agency agreement with an independent third party to sell 46-meter mega yachts and 110-foot catamaran yachts. In late 2020, the Group noticed excellent growth potential in the yachting industry, especially under the consideration that (i) the yacht consumption or investment was getting more recognition among the affluent class; (ii) construction of the relevant facilities, such as yacht harbor and yacht club, had made yacht consumption more feasible and appealing; and (iii) customers had preference to well-branded yachts with world-wide presence, which offered more opportunities to the Group. As such, the Management was of the view that it would be beneficial for the Group to deploy additional resources to expand the yachting businesses.

For the year ended 31 December 2021, the operation of this segment recorded revenue of approximately HK\$1.9 million (2020: approximately HK\$2.3 million) which was mainly derived from mega yacht management. The Management was positive about the long-term potential of this segment and placed the yachting businesses at a high strategic position. During the year, other than yacht management, most of the yachting businesses were carried out in relation to promotion and marketing activities, and set up of a high-tech and sustainable mega yacht manufacturing base in Hainan, the PRC. The Management intended to adopt an aggressive expansion strategy by means of i) expanding its shipyard facilities in Hainan of the PRC, ii) establishment of a research and development center in the Netherlands, iii) engaging adept and skillful workforce, iv) building sales teams and/or agencies in major cities around the world, and v) contributing more resources in marketing and promoting the yachting related businesses. On the other hand, the Management would consistently and closely monitor the performance of the yachting businesses to formulate feasible and profitable long-term strategies. For further details of the prospect of the yachting businesses, please refer to the BUSINESS OUTLOOK section.

On 31 December 2021, the Group entered into a sales agreement with an independent third party to sell a 46-meter yacht at a consideration of RMB110 million. The yacht was passed to the buyer on 12 February 2022 in good condition, upon which the control of the yacht was also transferred to the buyer.

On 1 March 2022, the Group reached an agreement with an independent third party which was authorised to act as the agent of the Group and granted the exclusive yacht agency in Hong Kong for a term of 3 years, effective from 1 March 2022 to 28 February 2025.

On 23 March 2022, the Group signed a sales agreement with an independent third party to sell four 46-meter yachts at a consideration of US\$60 million. As at the date of this announcement, these four ordered yachts are still under construction, and are expected to be completed in the third quarter of 2022.

Property investment

The Group possessed a leasehold interest on a land parcel in the Island of Saipan, with a site area of approximately 4,536 square meters upon which there is a housing development namely Miller's Estates. The total gross floor area of these properties in the Island of Saipan was approximately 1,953 square meters within six apartment buildings containing an aggregate of 31 apartment units. According to the valuation assessed by an independent professional valuer, the properties in the Island of Saipan had a value of approximately HK\$30.3 million as at 31 December 2021 (2020: approximately HK\$30.3 million). The properties in the Island of Saipan constituted the sole investment of the Group's investment properties.

For the year ended 31 December 2021, the local economy in the Island of Saipan was not promising due to severe impact of the COVID-19 pandemic. In particular, the tourism industry, a pillar of the local economy, was interrupted by local quarantine policies and public health concerns. As the performance of the property markets was highly correlated to the economic activities, no revenue was recorded for the year. As the local property market in the Island of Saipan was inactive, the management adopted a passive investment strategy for this business segment for the year. If there is a recovery in the Island of Saipan's economy, the Group would consider and explore different options in realizing the investment potential of the properties, such as leasing or sales.

Investment holding

As at 31 December 2021, 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 2021, (i) no acquisition or disposal of the investment in Cornerstone Securities was conducted; and (ii) no dividend in relation to the investment in Cornerstone Securities was received or claimed. As at 31 December 2021, the investment in Cornerstone Securities has a fair value of approximately HK\$8.4 million (2020: approximately HK\$12.3 million), representing approximately 3% of the total assets of the Company (2020: 8%). The Company intends to hold the investment in Cornerstone Securities as a passive and long-term investment, and does not plan for active trading.

- Certain shares of a company listed in the Stock Exchange, which have a fair value of approximately HK\$0.1 million (2020: approximately HK\$0.2 million) as at 31 December 2021.
- 202 unlisted shares of Red Power Developments Limited ("**Red Power**"), representing 20.2% of the entire issued capital of Red Power, which is a company incorporated in the British Virgin Islands with limited liability. Through its subsidiaries, Red Power is principally engaged in the provision of air transportation services, development, sales, lease and maintenance of equipment involving the application of aviation technology in the PRC.

For the year ended 31 December 2021, (i) no acquisition or disposal of the investment in Red Power was conducted; and (ii) no dividend in relation to the investment in Red Power was received or claimed.

The COVID-19 pandemic and the resultant travel restrictions and quarantine requirements had dreadfully impacted the worldwide aviation industry. Red Power and its subsidiaries were also victimized by these epidemic control measures, which in turn, severely affected the businesses and cash flow forecast of Red Power. Accordingly, the Group carried out an impairment assessment of Red Power and full impairment of the investment in an associate was recognised for the year ended 31 December 2021.

Other business

Finance lease services

For the year ended 31 December 2021, the finance lease industry in the PRC was yet to be fully recovered from the impact caused by the COVID-19 pandemic. Delays in lease payment, decreases in collateral value and increases in default rate remained noticeable during the year. 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 had decided to terminate this operation in 2021.

Due to the uncertainties of the recovery of the economy and the unsatisfactory performance of this segment in the past years, the Management maintained a cautious strategy on recovering the existing receivables, and provided full impairment on the finance lease receivables.

CHANGE IN SHAREHOLDING

On 22 December 2020, Zhongying Int'l and the Company jointly announced that Zhongying Int'l 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 of the Company was completed on 23 December 2020. Following the completion, Zhongying Int'l and parties acting in concert with it became interested in an aggregate of 161,650,770 shares of the Company, representing approximately 43.66% of the existing issued share capital of the Company. As a result of the completion, Zhongying Int'l was required to make a conditional mandatory cash offer for all the issued shares of the Company not already owned by Zhongying Int'l 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 Int'l, 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 Int'l 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 Int'l and parties acting in concert with it held a total of 328,807,012 shares of the Company, 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 Int'l proceeded a placing of 51,124,000 shares of the Company from 25 February 2021 to 3 March 2021. Upon completion of the placing, 51,124,000 shares of the Company, representing approximately 13.81% of the issued share capital of the Company, had been placed to not less than six placees who are third parties independent of the Company and its connected persons and parties not acting in concert with Zhongying Int'l, at the placing price of HK\$1.345 per placing share. Accordingly, Zhongying Int'l 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.

The Company was of the view that the change in the controlling shareholder represented a new page for the development and growth of the Group. A stable shareholder relationship, together with the management's diligence, would help the Group to achieve a brighter future in the challenging environment.

LOANS FROM A SHAREHOLDER

Following the change in the controlling shareholder as mentioned above, the Company maintained a cordial communication with Zhongying Int'l which indicated strong support to the Group's development. On 12 May 2021 and 28 October 2021, the Company obtained two loans of HK\$100,000,000 each, totaling HK\$200,000,000 from Zhongying Int'l. The Shareholder Loans were negotiated with an aim for the Group to develop the existing yachting businesses and/or explore other possible opportunities. The Group mainly used the Shareholder Loans (i) as the general working capital for the Group; and (ii) for growing the yachting businesses.

The term of the Shareholder Loans is one year, and is interest-free with no default interest, and requires no collateral. The Company may choose to repay all or part of the Shareholder Loans in advance.

The Shareholder Loans could improve the liquidity and increase the cash ratio of the Group, and provide certain guarantee for development of new businesses without incurring interest cost. Accordingly, the Management considered that the terms of the Shareholder Loans were favourable to and in the interests of the Company and all shareholders as a whole.

BUSINESS OUTLOOK

In 2021, the Group took various decisive measures to maintain a relatively stable business performance amid unprecedented challenges posed by the COVID-19 pandemic. Looking ahead into 2022, the Management will continue to act with caution to steer clear of the lingering uncertainties resulted from the pandemic and ramp up the business as economic conditions gradually improve.

While the pandemic poses great challenges to most industries, the yachting industry has seen a demand spike and recorded a consistent growth since 2019. According to Boat International, the number of mega yachts either in construction or on order has increased by more than 25% from 2021 to 2022. The Group has been positioning itself to capture this growing market share by i) expanding its shipyard facilities in Hainan of the PRC, ii) establishment of a research and development center in the Netherlands, iii) engaging adept and skillful workforce, iv) building sales teams and/or agencies in major cities around the world, and v) contributing more resources in marketing and promoting the yachting related businesses.

The Group together with its ultimate holding company have been exploring with the Government of the Hainan Province of the PRC to establish a Hainan Equipment Pioneer Zone (the “**Pioneer Zone**”), which will be developed in three phases, including i) a mega yacht industry base, ii) a tourism equipment production base, and iii) an education research and development industry base. The Pioneer Zone is one of the Hainan Province’s pivotal development projects in the short to medium term, and will emerge as a perfect “Marine Equipment Industry Pilot Area”. During the year, the Group leased a shipyard in Lingao of Hainan. Once the cooperation with the Government of the Hainan Province has been accomplished, the Group will be able to hugely expand its current production facilities, and thus increase its production capacities.

In late March 2022, the Group incorporated a limited liability company in the Netherlands, which was set up as the headquarter for the research and development of yacht construction, and as the sales office in Europe. Following the set up of this Dutch company, on 31 March of 2022, the Group has derived from its ultimate holding company the trademark rights of “Balk” for yacht building and various related businesses, at a nominal consideration of HK\$1 for a term of 3 years starting from 1 April 2022 to 31 March 2025. The Balk brand has a history of 224 years and obtained the Dutch royal yacht manufacturer certification in 2002.

By establishing the production facility in Hainan where labour and material costs are relatively low, the Group will be able to benefit from a much more competitive cost base comparing to other overseas yacht manufacturers. The relatively lower manufacturing costs in the PRC combined with the centuries-old Balk brand and the sophisticated technologies from the Netherlands, the Group will be able to deliver high quality yachts at a competitive price. The Group foresees the Chinese yachting market will outpace the global market in the long term and the mega yachts built by the Group are expected to become one of the best-sellers in the global yachting market.

In the coming year, the Group will continue its focal point of developing the yachting businesses in the areas of sales, construction, refitting and after-sales services. In addition to the sales of mega yachts, the Group is expanding its business to luxury yacht rentals, onboard entertainment and yacht tourism. For the other business segments, the Group will adopt a steady approach in carrying on the businesses through the existing effective policies. The Group will pursue to explore other business opportunities in the yachting industry so as to widen the revenue stream and generate higher returns for the shareholders.

Subsequent to the year ended 31 December 2021, the Group has sold a total number of 5 yachts, one of which has already been delivered to the customer, while the remaining 4 are still under construction. Moreover, the Group granted to an independent third party the exclusive yacht agency right to sell 46-meter yacht in Hong Kong.

With the recovery of the market in sight, the Management will focus on maintaining, enhancing and creating competitive advantages of the Group’s businesses. The Management is confident that the responsive measures taken have allowed the Group to deploy its resources into businesses with promising future, and will therefore enhance its revenue base and create long-term profitability.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group achieved a revenue of approximately HK\$105.6 million (2020: approximately HK\$92.6 million). The revenue was principally contributed by the Group's core businesses, i.e. the design and sales of integrated circuit and semiconductor parts business and the executive jet and yacht management businesses.

For the year ended 31 December 2021, 37.4% of the consolidated revenue came from the business of the design and sales of integrated circuits and semi-conductor parts (2020: 33.6%), while 62.2% of the consolidated revenue came from the businesses of executive jet and yacht management (2020: 65.5%).

Operating expenses

Operating expenses comprise selling and distribution costs and general and administrative expenses in aggregate of approximately HK\$59.4 million for the year ended 31 December 2021 (2020: approximately HK\$40.7 million). Such increase was mainly due to the increase in staff salaries, selling, distribution and marketing expenses, and administrative costs as a result of the expansion of the yachting businesses.

Loss for the year

For the year ended 31 December 2021, loss for the year attributable to owners of the Company was approximately HK\$52.8 million (2020: approximately HK\$5.5 million). The increase in loss was mainly attributable to increase in shared loss of investment in an associate, marketing and business development expenses for the yachting businesses and impairment of investment in an associate. Basic loss per share attributable to ordinary equity holders of the Company was approximately HK\$14.26 cents (2020: approximately HK\$1.58 cents).

Liquidity and financial resources

For the year ended 31 December 2021, the Group had no fund-raising activities.

As at 31 December 2021, the cash and cash equivalents of the Group amounted to approximately HK\$86.2 million (2020: approximately HK\$28 million). Except the Shareholder Loans, the Group had no outstanding loans as at 31 December 2021 (2020: Nil).

Gearing ratio

The gearing ratio of the Group, defined as total liabilities expressed as a percentage of the total equity and liabilities, was approximately 78.8% as at 31 December 2021 (2020: approximately 31.9%). The Group did not have any debt financing except the Shareholder Loans.

Foreign currency exposure

The Group's results were exposed to exchange fluctuations of Renminbi as the Group had operations in the PRC. Certain materials used in the IC and semi-conductor parts were settled in US dollars, which exposed the Group to exchange fluctuations of US\$-RMB. Nevertheless, the Board considered 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 2021, there was no change to the authorized and issued share capital of the Company. As at 1 January 2021 and 31 December 2021, the Company had issued a total of 370,245,142 shares at the par value of HK\$0.1 each. All shares were fully paid and rank pari passu with each other in all respects. As at 31 December 2021, the shareholders' fund amounted to approximately HK\$62.6 million (2020: approximately HK\$107.3 million).

Pledge of assets

As at 31 December 2021, the Group did not have any pledge of assets (2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Disposal of the entire equity interest of China Tibetan Tea Village Co., Limited

On 31 December 2021, the Company disposed of the entire equity interests of China Tibetan Tea Village Co., Company ("China Tibetan") at a consideration of US\$650,000.

China Tibetan was principally engaged in the production and sale of tea and tea-related products, and promotion and operation of tea-cultural tourism. The Group considered that the subject business' full potential might take a longer time to realize than the Group's original expectation. The Group would rather deploy its available resources to develop the existing businesses.

MATERIAL COMMITMENT

As at 31 December 2021, the Group did not have any material commitment (2020: the gross value of outstanding consideration payable under the lease agreement was 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 report.

CONTINGENT LIABILITIES

No material contingent liabilities of the Group were noted as at 31 December 2021 (2020: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 74 employees (2020: 62 employees). For the year ended 31 December 2021, total employee benefits expenses, including directors' emoluments, amounted to approximately HK\$33.6 million (2020: HK\$21.1 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 2021 (2020: nil).

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2021, the Company has complied with the principles as set out in the Corporate Governance Code (version up to 31 December 2021) ("**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. Prior to the appointment of Mr. Lam Fuk Tak as the chief executive officer of the Company on 11 November 2021, the roles and functions of the chief executive officer were performed by all the executive directors collectively.
- (ii) Code provision A.4.1 stipulates that non-executive director 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. Two executive directors and three independent non-executive directors were unable to attend the annual general meeting of the Company held on 4 June 2021 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 pandemic, Mr. Duan Hongtao (“**Mr. Duan**”), chairman of the Board, did not attend the annual general meeting of the Company held on 4 June 2021. However, other members of the Board (including executive directors and non-executive director) attended the meeting 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 development.

CHANGE OF DIRECTORS

A summary of change of Directors of the Company from 1 January 2021 to the date of this Annual Report is set out below:

- (i) Mr. Leung Pok Man resigned as an executive director on 15 April 2021;
- (ii) Ms. Lau Mei Ying resigned as an executive director on 15 April 2021;
- (iii) Ms. Weng Yuzhen resigned as an independent non-executive director, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 15 April 2021;
- (iv) Dr. Song Donglin was appointed as an independent non-executive director, the chairman of the Nomination Committee, the chairman of the Remuneration Committee and a member of the Audit Committee on 15 April 2021;
- (v) Mr. Duan was appointed as an executive director on 16 April 2021, appointed as chairman of the Board of Directors on 10 May 2021 and resigned as an executive director and chairman on 14 February 2022;
- (vi) Mr. Zhang Fumin was appointed as an executive director on 16 April 2021;

- (vii) Mr. Yang Lin resigned as chairman of the Board of Directors on 6 May 2021 and resigned as an executive director on 28 May 2021
- (viii) Ms. Liu Wenjia was appointed as an executive director on 23 July 2021 and resigned as an executive director on 17 December 2021;
- (ix) Mr. Xu Yinsheng resigned as an executive director on 30 September 2021;
- (x) Mr. Zhou Danqing resigned as a non-executive director, company secretary and authorised representative on 30 September 2021; and
- (xi) Mr. Wang Yi was appointed as an executive director on 8 March 2022.

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 2021.

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 2021.

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

As at 31 December 2021, the interests or short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director	Capacity/nature	Number of Shares/underlying Shares held/ interested in	Long/ short position	Percentage of shareholding (<i>Note 1</i>)
Mr. Duan(<i>Note 2</i>)	Interest in controlled corporation(s)	277,683,012 (<i>Note 3</i>)	Long	75%

Notes:

1. Based on 370,245,142 ordinary shares of the Company in issue as at 31 December 2021.
2. Mr. Duan was appointed as an executive director on 16 April 2021.
3. As at 31 December 2021, Mr. Duan owned 99% of the issued shares of Zhongying Int'l which beneficially owned 244,025,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan was deemed to be interested in a total of 277,683,012 shares of the Company.

Save as disclosed above, as at 31 December 2021, none of the directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, 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 set out below:

Name of shareholders	Capacity/nature	Number of Shares/ underlying Shares held/interested in	Long/short position	Percentage of shareholding (Note 1)
Ever Digital Limited (Note 2)	Beneficial owner	33,658,000	Long	9.09%
Zhongying Int'l (Note 2)	Beneficial owner	277,683,012	Long	75%
Mr. Duan (Note 3)	Interest in controlled corporation(s)	277,683,012	Long	75%

Notes:

1. Based on 370,245,142 ordinary shares of the Company in issue as at 31 December 2021.
2. Mr. Duan owned 99% of the issued shares of Zhongying Int'l which beneficially owned 244,025,012 shares of the Company and the entire issued share capital of Ever Digital Limited which in turn beneficially owned 33,658,000 shares of the Company. Accordingly, Mr. Duan was deemed to be interested in a total of 277,683,012 shares of the Company.
3. Mr. Duan was the chairman of the Board and an executive Director as at 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Upon completion of the general offer of Zhongying Int'l 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 Int'l 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 2021.

AUDIT COMMITTEE

The audit committee of the Company comprises solely independent non-executive Directors, namely Ms. Ching Ching (chairman), Ms. Weng Yuzhen (resigned as a member on 15 April 2021), Dr. Song Donglin (appointed as a member on 15 April 2021) and Dr. Zhang Shengdong. The Group's annual results for the year ended 31 December 2021 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 2021 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
Li Weina
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the Board of the Company comprises six directors. The executive directors are Ms. Li Weina, Mr. Wang Yi and Mr. Zhang Fumin; and the independent non-executive directors are Ms. Ching Ching, Dr. Song Donglin and Dr. Zhang Shengdong.