

# CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Disclosure of Other Information	14
Condensed Consolidated Statement of Profit or Loss	24
Condensed Consolidated Statement of Comprehensive Income	25
Condensed Consolidated Statement of Financial Position	26
Condensed Consolidated Statement of Changes in Equity	28
Condensed Consolidated Statement of Cash Flows	29
Notes to the Condensed Consolidated Financial Statements	30

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Gu Zhongli (*Chairman*)

Dr. Wang Bangyi

Mr. Jin Peiyi

#### **Non-Executive Director**

Dr. Dong Liujuan

#### **Independent Non-Executive Directors**

Mr. Li Gong

Dr. Shi Ping

Ms. Xu Yanqiong

### **AUDIT COMMITTEE**

Dr. Shi Ping (*Chairman*)

Mr. Li Gong

Ms. Xu Yanqiong

### **NOMINATION COMMITTEE**

Mr. Li Gong (*Chairman*)

Mr. Gu Zhongli

Ms. Xu Yanqiong

### **REMUNERATION COMMITTEE**

Ms. Xu Yanqiong (*Chairman*)

Mr. Gu Zhongli

Mr. Li Gong

### **COMPANY SECRETARY**

Mr. Wong Ying Kit

### **AUDITOR**

Baker Tilly Hong Kong Limited

### **LEGAL ADVISERS**

#### **As to Hong Kong law**

King & Wood Mallesons

Robertsons

#### **As to PRC law**

Beijing Tian Yuan Law Firm

ETR Law Firm

#### **As to Cayman Islands law**

Harneys Westwood & Riegels

### **PRINCIPAL BANKERS**

Standard Chartered Bank (Hong Kong)  
Limited

The Hongkong and Shanghai Banking  
Corporation Limited

China Merchants Bank, Songgang branch

Bank of China, Zengcheng branch

Agricultural Bank of China, Zhongxin branch

### **REGISTERED OFFICE**

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman

KY1-1002

Cayman Islands

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room B 29/F,

The Sun's Group Centre,

189–200 Gloucester Road,

Wan Chai,

Hong Kong

Telephone: (852) 2787 0008

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## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS**

Harneys Fiduciary (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman  
KY1-1002  
Cayman Islands

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## **STOCK CODE**

1561

## **WEBSITE**

<http://www.irasia.com/listco/hk/pad/>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS AND FINANCIAL OVERVIEW**

Pan Asia Data Holdings Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) had a consolidated revenue of approximately HK\$483,444,000 (2022: HK\$415,600,000) for the six months ended 30 June 2023. This represented an increase of approximately 16.3% compared with the corresponding period for the previous year mainly due to significant increase in the business activities of the Group’s big data services segment.

The Group generated revenue from provision of big data services of approximately HK\$278,611,000 (2022: HK\$201,726,000), provision of third-party payment services of approximately HK\$223,000 (2022: HK\$30,818,000) and manufacturing and trading of coatings of approximately HK\$204,610,000 (2022: HK\$183,056,000) for the six months ended 30 June 2023.

Loss attributable to owners of the Company for the six months ended 30 June 2023 decreased to approximately HK\$17,072,000 (2022: HK\$42,625,000), which was mainly attributable to the increase in gross profit due to significant increase in the business activities of the Group’s big data services segment which was partially offset by increase in distribution and selling expenses and share of losses from associates.

Loss per share for the six months ended 30 June 2023 was approximately HK1.96 cents (2022: HK5.60 cents).

The Group’s net asset value attributable to owners of the Company per share as at 30 June 2023 was approximately HK\$0.3 (31 December 2022: HK\$0.2).

### **INTERIM DIVIDEND**

The board of directors (the “Directors”) (the “Board”) of the Company has resolved not to pay, and does not recommend the payment of, an interim dividend for the six months ended 30 June 2023 (2022: Nil).

## **BUSINESS REVIEW**

### **Big Data Services Business**

Lian Yang Guo Rong Holdings Limited (“LYGR”), a subsidiary of the Company, and its subsidiaries (collectively, “LYGR Group”) are principally engaged in the development of big data mining, modelling and analytics in general, and the provision of digital risk management and other digital services in retail financial services in particular (“Big Data Services Segment”). The LYGR Group offer an independent and fast growing “SaaS/PaaS” cloud platform, which focuses on providing artificial intelligence (“AI”) — enabled algorithmic solutions to the providers of retail financial services in China, especially in consumer finance and commercial insurance with a dedicated entrepreneurial approach to fulfill market needs through relentless innovation and dedicated execution while fully leveraging upon and synergizing with its particular positioning of public private partnerships in the IT and communications fields for providing enterprise services with fintech applications.

During the six months ended 30 June 2023, LYGR Group benefited from the strategic layout and compliant expansion in the early stage. Against the backdrop of the overall weak growth in consumer credit, LYGR Group has achieved growth, with significant improvement in product competitiveness and market share. The independent SaaS/PaaS cloud platform established by LYGR Group focuses on the digital transformation needs of personal credit and insurance industries, and improves the digital operation and management capabilities of financial institutions with artificial intelligence empowered algorithm solutions applied to retail finance. As of 30 June 2023, LYGR Group has successfully acquired a large number of customers contributing to its core income, including major banks, leading licensed consumer finance companies and large-scale personal credit digital transformation providers in China, and has become a core supplier of leading institutions in the consumer credit market. The Big Data Services Segment contributed revenue of approximately HK\$278,611,000 (2022: HK\$201,726,000), which represented an increase of approximately 38.1%, and segment profit of approximately HK\$27,417,000 (2022: HK\$23,601,000) to the Group for the six months ended 30 June 2023.

## **BUSINESS REVIEW** *(Continued)*

### **Third-Party Payment Services Business**

Day's Enterprise Company Limited\* (得仕股份有限公司) ("Days Services"), a member of the Group and a non-wholly owned subsidiary of the Company, operates a digital payment platform, which provides third-party payment services through the following services and products, namely, (1) Internet payment services, (2) Prepaid card issue and management services and (3) others ("Third-Party Payment Services Segment").

The Third-Party Payment Services Segment contributed revenue of approximately HK\$223,000 (2022: HK\$30,818,000), which represented a decrease of approximately 99.3%, and segment loss of approximately HK\$8,781,000 (2022: HK\$6,989,000) to the Group for the six months ended 30 June 2023.

Days Services holds a licence issued by the People's Bank of China ("PBOC") authorising the provision of third-party payment services in the PRC (the "Payment License") which expired on 28 August 2021. An application had been made for renewal of the Payment License. On 29 August 2021, Days Services was informed that the PBOC had decided to suspend the review process pending further clarification and/or verification of certain information in relation to the suitability of Days Services to continue to be a licensee, and will resume the review process of the renewal afterwards. In the meantime, Days Services has obtained confirmation from the PBOC that Days Services is permitted to conduct its business as usual. In the first half of 2023, the Company's business revenue and profit of the Third Party Payment Services Segment dropped significantly due to the suspension of the renewal of the Payment Licence. The Company has always been in close communication with the regulatory authorities on matters relating to the suspension. Subsequent to the matters relating to the suspension is resolved, the Company has resumed the renewal application with the PBOC Shanghai Branch.

The Company will continue to monitor the situation and updates will be announced as soon as further material information becomes available. In view of the deteriorating operating and market conditions and the accumulated negative contributions derived from the Third-Party Payment Services Segment over the past year, the Company is also considering other available options, including but not limited to, a disposal of its entire interest in this segment.

\* English translation of name is for identification purpose only

## **BUSINESS REVIEW** *(Continued)*

### **Coatings Business**

During the six months ended 30 June 2023, revenue for the coatings business increased to approximately HK\$204,610,000 (2022: HK\$183,056,000). This represented an increase of approximately 11.8% compared with the corresponding period for the previous year. The segment profit for the coatings business increased to approximately HK\$29,396,000 (2022: HK\$28,768,000) for the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Group's share of loss of Cashew Manfield Holding Limited, an associate of the Company, amounted to approximately HK\$8,677,000 (2022: share of profit of approximately HK\$10,880,000). It was primarily due to decrease in sales and increase in manufacturing costs for the period.

### **Overall Performance**

For the six months ended 30 June 2023, the gross profit and gross profit margin of the Group increased to approximately HK\$248,962,000 (2022: HK\$175,301,000) and approximately 51.5% (2022: 42.2%) respectively mainly due to the business segment of big data services has a higher gross profit margin than the business segments of third-party payment services and coatings.

Other income of the Group decreased to approximately HK\$9,807,000 (2022: HK\$19,412,000) for the six months ended 30 June 2023, mainly due to decrease in transportation fee income, rental income and royalty fee income.

Other gains and losses, net of the Group decreased to approximately HK\$3,983,000 (2022: HK\$6,131,000) for the six months ended 30 June 2023, mainly due to decrease in net exchange gain and government grants.

Distribution and selling expenses of the Group increased to approximately HK\$47,210,000 (2022: HK\$28,472,000) for the six months ended 30 June 2023, mainly due to an increase in staff costs related to marketing staffs from Big Data Services Segment.

Administrative expenses of the Group decreased to approximately HK\$111,242,000 (2022: HK\$128,371,000) for the six months ended 30 June 2023, mainly attributable to a decrease in staff costs related to management staffs.

## **BUSINESS REVIEW** *(Continued)*

### **Overall Performance** *(Continued)*

Research and development expenses of the Group increased to approximately HK\$91,865,000 (2022: HK\$85,876,000) for the six months ended 30 June 2023, mainly due to an increment of expenses from Big Data Services Segment.

Finance costs of the Group decreased to approximately HK\$23,430,000 (2022: HK\$25,652,000) for the six months ended 30 June 2023, mainly due to the decrease in remaining balance of borrowings.

Income tax credit of the Group increased to approximately HK\$11,796,000 (2022: HK\$5,288,000) for the six months ended 30 June 2023, mainly due to the recognition of deferred tax assets in respect of provision of trade and other receivables and unused tax losses.

### **Others**

In April 2023, the Group received an arbitration notice issued by the Shanghai International Economic and Trade Arbitration Commission in relation to the arbitration proceedings submitted by Teknos Group OY, the 40% minority shareholder of 萬輝泰克諾斯(常州)化工有限公司 (Manfield Teknos (Changzhou) Chemical Company Limited\*) (“Manfield Changzhou”) for the intended exercise of its right to dispose of 40% equity interest in Manfield Changzhou to the Group. The arbitration process is ongoing and the Group is actively following up the arbitration and evaluating the potential impact and currently, the operation conditions of the Group’s businesses remain normal, and the arbitration has no material impact on the Group’s operation, financial position and solvency.

## **USE OF NET PROCEEDS FROM LISTING**

Following the listing of its shares, the Company received net proceeds of approximately HK\$119.9 million from the placing and public offer of the Company’s shares in December 2015 (the “Listing”) after the deduction of underwriting commissions and all related expenses. On 31 December 2019, the Board resolved to change the proposed use of net proceeds from the Listing. Details of the utilised net proceeds as at 30 June 2023 are set out as follows:

\* English translation of name is for identification purpose only



## USE OF NET PROCEEDS FROM LISTING (Continued)

Use	Revised	Utilisation	Remaining	Expected timeline for the intended use
	allocation	as at	balance	
	HK\$ million	30 June 2023 HK\$ million	after revised allocation HK\$ million	
Funding of phase two of construction of the Springfield Chemical (Guangzhou) Company Limited (廣州源輝化工有限公司) ("Springfield") production facilities	33.1	33.1	-	
Purchase of additional machinery and equipment	12.0	12.0	-	
Partial settlement of the purchase price of the land for phase two of construction of the Springfield production facilities	1.4	-	1.4 <sup>(Note)</sup>	End of 2023
Repayment of a bank overdraft facility	20.0	20.0	-	
General working capital of the Group	2.9	2.9	-	
Long term lease for a piece of land in Vietnam	5.4	5.4	-	
Construction of Vietnam production facilities	13.1	13.1	-	
Purchase of additional machinery and equipment, and other costs for Vietnam production	9.5	9.5	-	
General working capital of Vietnam operation	22.5	22.5	-	
	119.9	118.5	1.4	

Note: The net proceeds are unutilized due to the delay in completion of the acquisition of certain land use rights (the "Land Acquisition") as additional time is required for compliance with necessary registration and approval procedures. In accordance with the land use rights transfer agreement (the "Land Acquisition Agreement"), Zengcheng Fuheyuan Nongzhuang Limited\* (增城市福和園農莊有限公司) (the "Vendor") is required to handle such registration and approval procedures. As disclosed in the announcement of the Company dated 4 January 2022, the Vendor had failed to complete the registration and approval procedures and obtain the necessary approvals and permits for the Land Acquisition by 31 December 2021 in breach of the Land Acquisition Agreement, including failure to procure completion of registration procedures in connection with Certificate for the Use of State-owned Land (《國有土地使用證》), Land Use Permit (《建設用地規劃許可證》) and various other approvals and permits. As at 30 June 2023 and up to the date of this report, the Company is still requesting the Vendor to complete the registration and approval procedures. The Company will make further announcements to update shareholders as and when appropriate. Upon completion of such acquisition, the revised allocated proceeds of approximately HK\$1.4 million for partial settlement of the purchase price of the land for phase two of construction of the Springfield production facilities will be fully utilized.

Saved as disclosed above, the Directors are not aware of any material change to the planned use of the proceeds as at the date of this interim report.

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## **LIQUIDITY, FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, CHARGE ON ASSETS AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES**

As at 30 June 2023, the Group's non-current assets of approximately HK\$732,689,000 (31 December 2022: HK\$739,502,000) consisted of property, plant and equipment of approximately HK\$146,019,000 (31 December 2022: HK\$143,512,000), right-of-use assets of approximately HK\$55,463,000 (31 December 2022: HK\$57,818,000), intangible assets of approximately HK\$368,579,000 (31 December 2022: HK\$369,558,000), interests in associates of approximately HK\$126,979,000 (31 December 2022: HK\$143,957,000), deferred tax assets of approximately HK\$32,953,000 (31 December 2022: HK\$21,929,000) and deposits paid for non-current assets of approximately HK\$2,696,000 (31 December 2022: HK\$2,728,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 30 June 2023, the Group's net current liabilities amounted to approximately HK\$128,198,000 (31 December 2022: HK\$180,571,000).

As at 30 June 2023, the Group had total indebtedness of approximately HK\$581,956,000 (31 December 2022: HK\$640,250,000) which comprised borrowings, convertible bonds and lease liabilities of approximately HK\$517,337,000 (31 December 2022: HK\$576,898,000), HK\$52,900,000 (31 December 2022: HK\$50,061,000) and HK\$11,719,000 (31 December 2022: HK\$13,291,000), respectively.

As at 30 June 2023, all the borrowings of the Group, except for amounts equivalent to approximately HK\$3,320,000 (31 December 2022: HK\$42,515,000) and Nil (31 December 2022: HK\$11,675,000) which were denominated in Renminbi and United States dollars respectively, were denominated in Hong Kong dollars. As at 30 June 2023 and 31 December 2022, all borrowings carried fixed interest rates. As at 30 June 2023, the convertible bonds bear interest of 6% (31 December 2022: 6%) per annum plus an additional interest of 10% (31 December 2022: Nil) per annum and were denominated in Hong Kong dollars. Interest rates for all leases are fixed on the contract dates. As at 30 June 2023 and 31 December 2022, other borrowing of HK\$500,000,000 is non-recourse to the Company but is secured by charges over assets of the Company.

As at 30 June 2023 and 31 December 2022, all the borrowings of the Group was repayable within one year.

## **LIQUIDITY, FINANCIAL RESOURCES, BORROWINGS, CAPITAL STRUCTURE, CHARGE ON ASSETS AND EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES**

*(Continued)*

As at 30 June 2023, the Company was in default under the terms and conditions of the relevant agreements of the convertible bonds for the aggregate principal amount and interests of HK\$52,900,000 that were not settled in full on the maturity date. Subsequently, the negotiation with the holders of the convertible bonds is still in progress. Subsequent to the default of the convertible bonds, an additional interest will be accrued at the rate of 10% per annum from the date of occurrence of default until all sums due in respect of such convertible bonds are fully settled.

As at 30 June 2023, the gearing ratio of the Group was approximately 103.7% (31 December 2022: 124.3%), calculated by dividing total debts (which represents the sum of borrowings, convertible bonds and lease liabilities) by total equity multiplied by 100%. Net debt to equity ratio (net debt, being total debts net of bank balances and cash and restricted bank deposits, divided by total equity) of the Group was approximately 41.5% (31 December 2022: 53.1%) as at 30 June 2023. The current ratio, calculated by dividing current assets by current liabilities, as at 30 June 2023 was approximately 0.9 times (31 December 2022: 0.8 times).

As at 30 June 2023, save as disclosed in note 12 to the consolidated financial statements in this interim report, the Group did not have any assets under charge/pledge.

The Group's operations are mainly located in the PRC and its transactions, related working capital and borrowing are primarily denominated in Renminbi and Hong Kong dollars. The Group closely monitors its foreign exchange exposure and considers hedging significant currency exposure should the need arise.

As at 30 June 2023, the Group had capital commitments contracted for but not provided – acquisition of property, plant and equipment of approximately HK\$978,000 (31 December 2022: HK\$1,476,000) and other commitments contracted for but not provided – proposed purchase of land of approximately HK\$6,230,000 (31 December 2022: HK\$6,852,000).

As at 30 June 2023 and 31 December 2022, the Group did not have any material contingent liabilities.

## **TREASURY POLICY**

The Group adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **EMPLOYEES**

The Group had 880 (31 December 2022: 864) employees as at 30 June 2023 with total staff cost of approximately HK\$110,295,000 (2022: HK\$71,278,000) for the six months ended 30 June 2023. The Group ensures that its employees are remunerated in line with market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL**

Save as disclosed in this interim report, the Group did not have any other significant investments or, other material acquisitions or disposals during the six months ended 30 June 2023, and there was no plan authorised by the Board for other material investments or additions of capital assets up to the date of this interim report.

## **PROSPECTS AND STRATEGIES**

In the first half of 2023, due to the impact of the pandemic, the revenue growth of China's consumer credit industry declined. The growth rate of the number of banking accounts and the number of cards per capita has been slowing down in the past few quarters, and the development of incremental business has slowed down as a whole.

However, in terms of financial and digital economy regulatory policies, the digital transformation market finally ushered in substantial progress. The CPC Central Committee and the State Council issued the Opinions on Building a Basic Data System to Better Play the Role of Data Elements, aiming to provide top-level design plans and basic system arrangements for the data element market, promote the development of digital economy, and create new momentum to China's economic development. Against this backdrop, financial institutions accelerated their digital and intelligent transformation, bringing opportunities for big data analytics providers/fintech companies in the financial sector.

The Group's big data analytics business in the financial sector has established a first-mover advantage and accumulated a solid foundation. In the first half of 2023, the Group developed at a faster pace and achieved satisfactory results and market reputation.

## **PROSPECTS AND STRATEGIES** *(Continued)*

### **Insisting on Research and Development, Stepping up Innovation, and Deepening the Big Data Analytics Business with Remarkable Results**

Benefiting from the strategic layout and compliant expansion in the early stage, LYGR with its onshore operation subsidiary as the Group's flagship in big data analytics (the "OPCO") has achieved growth against the backdrop of the overall weak growth in consumer credit, with significant improvement in product competitiveness and market share.

The independent SaaS/PaaS cloud platform established by the OPCO focuses on the digital transformation needs of personal credit and insurance industries, and improves the digital operation and management capabilities of financial institutions with artificial intelligence-empowered algorithm solutions applied to retail finance. As of 30 June 2023, the OPCO has successfully acquired a large number of customers contributing to its core income, including major banks, leading licensed consumer finance companies and large-scale personal credit digital transformation providers in China, and has become a core supplier of leading institutions in the consumer credit market, achieving a total revenue of approximately HK\$279 million for the first half of 2023.

Looking forward, we will continue to adhere to allocating our investment in research and development, stepping up innovation and development, and deepening the big data analytics business segment, and attempt to integrate more third-party data in our future development, so as to further strengthen the Group's competitive barriers and market position in the financial technology sector, and to diversify the data so as to ensure solid business growth while accumulating the underlying strengths for the development of the new business in the future. On the one hand, the artificial intelligence-empowered algorithm solutions established by the OPCO require constant updates and improvement to cater for the needs of business and customers, so as to improve the core competitiveness of our products and further capture the market scale of the digital transformation of financial institutions. On the other hand, the Company will actively develop new businesses such as insurance in the future and continue to expand the application of artificial intelligence-empowered algorithm solutions in the field of diversified financial business, and extend the core competitiveness of our products to more extensive business scenarios. We are always committed to being an innovator of intelligent data application, a practitioner of artificial intelligence technology, and an enabler of FinTech, so that the use of data elements and artificial intelligence technology has become a strong driving force for national economic development and social progress.

## DISCLOSURE OF OTHER INFORMATION

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2023, the interests of the Directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Hong Kong (the “SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

#### Interests in the shares of the Company

Name of Director	Type of interest	Date of share options granted	Number of share options outstanding	Percentage of interest upon full exercise of share options <sup>(i)</sup>
Mr. Li Gong	Long position	27 July 2021	740,000	0.08%
Dr. Shi Ping	Long position	27 July 2021	740,000	0.08%

Notes:

- (i) The percentage represents the number of underlying shares in which the Director is interested divided by the enlarged issued share capital of the Company as at 30 June 2023, assuming all the outstanding share options are exercised.
- (ii) Details of the above share options as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) have been disclosed in the paragraph headed “Share Option Scheme” in this interim report.

Save as disclosed above, as at 30 June 2023, none of the Directors, or the chief executive of the Company or their associates had any interests or short positions in any 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 maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE AWARD SCHEME

The Company adopted a share award scheme on 9 January 2020 (the “Share Award Scheme”) with the major terms and details set out below:

1. Objective: The objectives of the Share Award Scheme are (i) to recognise the contributions by certain selected grantees (including (i) any employee or director (including without limitation any non-executive director) of any member of the Group; (ii) any consultant, agent, representative or adviser of the Company or any affiliate; (iii) any person who provides goods or services to the Company or any affiliate; (iv) any customer or contractor of the Company or any affiliate; (v) any business ally or joint venture partners of the Company or any affiliate; and (vi) any trustee of any trust established for the benefit of employees.) and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.
2. Duration: Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date (9 January 2020).
3. Scheme limit: The Board shall not make any award of awarded shares which will result in the number of the share(s) in the Company (the “Shares”) awarded by the Board under the Share Award Scheme exceeding ten per cent. of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected grantee under the Share Award Scheme shall not exceed one per cent. of the issued share capital of the Company from time to time.
4. Operation: The Board may from time to time cause to be paid a contributed amount to the trust constituted by a trust deed dated 20 January 2020 by way of settlement or otherwise contributed by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of Shares and other purposes set out in the Share Award Scheme rules and the trust deed. The Board may from time to time instruct the trustee in writing to purchase Shares on the Stock Exchange and specify the maximum amount of funds to be used and the range of prices (which are determined based on the prevailing market prices of the Shares) at which such Shares are to be purchased. The trustee shall apply such amount of residual cash towards the purchase of such maximum board lot of Shares at the prevailing market price according to the instructions from the Board. Once purchased, the Shares are to be held by the trustee for the benefit of selected grantees under the trust on and subject to the terms and conditions of the Share Award Scheme and the trust deed. The trustee shall keep the Board from time to time of the number of Shares purchased and the price at which those Shares have been purchased. The Shares so purchased and the remaining balance of any residual cash shall form part of the trust fund.

The Board may, from time to time, at its absolute discretion select any qualifying grantees (other than any excluded employee) for participation in the Share Award Scheme as a selected grantee, and grant such number of awarded shares to any selected grantee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

## **SHARE AWARD SCHEME** *(Continued)*

5. Restrictions: No award shall be made by the Board and no instructions to acquire any Shares shall be given to the trustee under the Share Award Scheme: (i) after inside information (as defined in the SFO) in relation to affairs or securities of the Company has arisen or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information is no longer inside information; (ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results; (iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or (iv) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.
6. Vesting: Subject to the terms and condition of the Share Award Scheme and the fulfillment of all vesting conditions, the respective awarded shares held by the trustee on behalf of the selected grantee pursuant to the provision hereof shall vest in such selected grantee in accordance with the vesting schedule (if any), and the trustee shall cause the awarded shares to be transferred to such selected grantee on the vesting date.
7. Voting rights: The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust (if any) (including but not limited to the awarded shares, any bonus shares and scrip Shares derived therefrom) whether or not in the name of another person as nominee of the trustee.

The Company shall comply with the relevant Listing Rules when granting the awarded shares. If awards are made to the directors or substantial shareholders of the Company, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

During the six months ended 30 June 2023 and up to the date of this interim report, no awarded shares were granted under the Share Award Scheme.



## SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 June 2021 (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The numbers of options available for grant under the Share Option Scheme on 1 January 2023 and 30 June 2023 are 47,648,366. There is no option granted during the six months ended 30 June 2023.

### 1. Purposes

The purposes of the Share Option Scheme are: (a) to attract and retain best available personnel; (b) to provide incentives to the participants for their contributions to the Group; and (c) to promote the success of the business of the Group.

### 2. Participants and determination of eligibility

The Board may, at its sole discretion, offer to grant any options to any full-time or part-time employees, directors (including executive, non-executive and independent non-executive directors), shareholders, consultants or advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of any member of the Group.

The eligibility of any participant to the grant of any option shall be determined by the Board (or where required under the Listing Rules, by the independent non-executive Directors) from time to time on the basis of the participant’s contribution or potential contribution to the development and growth of the Group.

### 3. Duration and Administration

The Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but the options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. Save as aforesaid, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on 30 June 2021 (the “Adoption Date”) and shall expire at the close of business on 29 June 2031, after which no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with the terms of the Share Option Scheme.

The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the rules of the Share Option Scheme) shall be final and binding on all parties to the Share Option Scheme.

## **SHARE OPTION SCHEME** *(Continued)*

### **4. Grant of options**

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years from the Adoption Date to make any offer (subject to such conditions as the Board may think fit) to any participant as the Board may in its absolute discretion select to take up an option pursuant to which such participant may, during the option period, subscribe for such number of Shares as the Board may determine at the subscription price. An offer must be accepted within seven (7) days from and including the offer date or otherwise it shall be deemed declined by the participant in question. The amount payable to the Company by a participant on acceptance of an Offer is HK\$1.00.

### **5. Subscription price**

The subscription price shall be a price solely determined by the Board and notified to the participant and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a Share.

### **6. Maximum number of shares**

- (A) Subject to sub-sections (B) and (C) below, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company will not be counted for the purpose of calculating the 10% limit.
- (B) The Company may at any time seek approval by the shareholders in general meeting for refreshing the 10% limit mentioned in sub-section (A) above, provided that the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the refreshed limit must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company or any exercised options) will not be counted for the purpose of calculating the refreshed 10% limit.
- (C) The Company may seek separate approval by the shareholders in general meeting for granting options beyond the 10% limit stated in sub-sections (A) and (B) provided that the options in excess of the limit are granted only to participants specifically identified by the Company before such approval is sought.

## **SHARE OPTION SCHEME** *(Continued)*

### **6. Maximum number of shares** *(Continued)*

- (D) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company shall not exceed 30% of the Shares in issue from time to time. No options for Shares may be granted under the Share Option Scheme or any other schemes of the Company if this will result in the limit being exceeded.

### **7. Maximum entitlement of each participant**

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any twelve (12) month period must not exceed 1% of the Shares in issue. Any further grant of options to a participant which would result in the aforesaid 1% limit being exceeded must be separately approved by the shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. In seeking the shareholders' approval, the Company must send a circular to the shareholders disclosing the identity of the participant, the number and terms of the options to be granted (and the options previously granted to such participant) and all other information and the disclaimer required under the Listing Rules. The number and terms (including the subscription price) must be fixed before the shareholders' approval.

### **8. Exercise of options**

An option may be exercised, in whole or in part, by the grantee in accordance with the terms of the Share Option Scheme during the option period as determined by the Board, which shall not exceed ten (10) years from the offer date.

Unless otherwise determined by the Board, there is no minimum period for which an option must be held before it can be exercised nor is there any performance targets that must be achieved before an option can be exercised.

The Company shall comply with the relevant Listing Rules when granting options. If options are granted to the directors or substantial shareholders of the Group, such grant shall constitute connected transactions under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules unless and to the extent the awards are exempt under Chapter 17 of the Listing Rules.

## SHARE OPTION SCHEME (Continued)

The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised as at 30 June 2023:

Grantee(s)	Date of grant	Number of share options					As at 30 June 2023	Exercise Price HK\$	Approximate % of shareholding upon full exercise of share options Note (j)
		As at 1 January 2023	During the reporting period			Lapsed			
			Granted	Exercised	Cancelled				
<i>Independent non-executive Directors</i>									
Mr. Li Gong	27 July 2021	740,000	-	-	-	-	740,000	2.056	0.08%
Dr. Shi Ping	27 July 2021	740,000	-	-	-	-	740,000	2.056	0.08%
		1,480,000	-	-	-	-	1,480,000		0.16%
Employees of the Group	27 July 2021	7,380,000	-	-	-	-	7,380,000	2.056	0.80%
Consultants of the Group	27 July 2021	17,400,000	-	-	-	-	17,400,000	2.056	1.89%
Total		26,260,000	-	-	-	-	26,260,000		2.85%

Notes:

- (i) The percentage represents the number of underlying shares interested divided by the enlarged issue share capital of the Company as at 30 June 2023, assuming all the outstanding share options are exercised.
- (ii) The exercise period of the outstanding options is from the date of grant (i.e. 27 July 2021) to 26 July 2030, both dates inclusive. There is no vesting period for the share options as at 30 June 2023, and all of the share options have been fully vested to the grantees on 27 July 2021, being the date of grant.
- (iii) The closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet immediately before the date on which the outstanding options were granted (i.e. 26 July 2021) is HK\$2.08.

Save as disclosed above, during the six months ended 30 June 2023 and up to the date of this interim report, no other options were granted under the Share Option Scheme.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares, underlying shares, or debentures of, the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

### Long positions in the shares of the Company

Name	Type of interest	Capacity/ Nature	Number of Shares held/ interested	Percentage of interest
Timenew Limited ( <i>Note 1</i> )	Long position	Beneficial owner	202,405,714	22.61%
Mr. Li Xiao Ru ( <i>Note 1</i> )	Long position	Interest of a controlled corporation	202,405,714	22.61%
Mr. Sze Ching Lau	Long position	Beneficial owner	86,908,000	9.71%
Ms. Yu Wei Xing	Long position	Beneficial owner	80,965,316	9.04%
Lian Yang Investment Limited	Long position	Beneficial owner	76,092,789	8.50%

Notes:

- (1) As of 30 June 2023, Timenew Limited was wholly beneficially owned by Mr. Li Xiao Ru. Mr. Li Xiao Ru was therefore deemed to be interested in the 202,405,714 shares held by Timenew Limited under the SFO.
- (2) As of 30 June 2023, the Company's total number of issued shares was 895,305,908.

Save as disclosed above, as at 30 June 2023, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

On 18 April 2023, the Company has allotted and issued an aggregate of 35,963,448 capitalisation shares at the subscription price of HK\$1.60 per capitalisation share to the creditors for the settlement of the outstanding sum of approximately HK\$57,542,000, details of which were disclosed in the Company's announcements dated 27 March 2023 and 18 April 2023.

On 30 June 2023, the Company has allotted and issued an aggregate of 5,025,479 capitalisation shares at the subscription price of HK\$1.60 per capitalisation share to the creditor for the settlement of the outstanding sum of approximately HK\$8,041,000, details of which were disclosed in the Company's announcements dated 21 June 2023 and 30 June 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

## **CHANGE IN INFORMATION OF DIRECTORS**

The changes in the information of the Directors since 1 January 2023, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

<b>Name of Directors</b>	<b>Details of Changes</b>
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### **Executive Director**

Mr. Charles Simon

Resigned as an executive Director on 20 January 2023

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with corporate governance code**

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as listed out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

### **Compliance with Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding directors' securities transactions. Having made specific enquiries with all Directors, they have confirmed their compliance with the required standard as set out in the Model Code throughout the six months ended 30 June 2023.

## **Audit Committee Review**

The Audit Committee of the Company, comprising all the Independent Non-executive Directors of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the Directors, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2023.

By Order of the Board

**Pan Asia Data Holdings Inc.**

**Gu Zhongli**

*Chairman*

Hong Kong, 31 August 2023

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023	2022
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	483,444	415,600
Cost of revenue		(234,482)	(240,299)
Gross profit		248,962	175,301
Other income		9,807	19,412
Other gains and losses, net		3,983	6,131
Impairment losses under expected credit loss model, net of reversal	5	(4,637)	1,758
Distribution and selling expenses		(47,210)	(28,472)
Administrative expenses		(111,242)	(128,371)
Research and development expenses		(91,865)	(85,876)
Finance costs	4	(23,430)	(25,652)
Share of results of associates		(8,676)	10,870
Loss before taxation	5	(24,308)	(54,899)
Income tax credit	6	11,796	5,288
Loss for the period		(12,512)	(49,611)
Loss for the period attributable to:			
Owners of the Company		(17,072)	(42,625)
Non-controlling interests		4,560	(6,986)
		(12,512)	(49,611)
Loss per share			
– Basic and diluted	7	(HK1.96 cents)	(HK5.60 cents)



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	<b>(12,512)</b>	(49,611)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>(4,935)</b>	(30,062)
Share of other comprehensive expense of associates	<b>(1,275)</b>	(5,295)
Other comprehensive expense for the period	<b>(6,210)</b>	(35,357)
Total comprehensive expense for the period	<b>(18,722)</b>	(84,968)
Total comprehensive expense attributable to:		
Owners of the Company	<b>(19,736)</b>	(68,575)
Non-controlling interests	<b>1,014</b>	(16,393)
	<b>(18,722)</b>	(84,968)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	146,019	143,512
Right-of-use assets		55,463	57,818
Intangible assets		368,579	369,558
Interests in associates		126,979	143,957
Deferred tax assets		32,953	21,929
Deposits paid for non-current assets		2,696	2,728
		<b>732,689</b>	739,502
<b>Current assets</b>			
Inventories		55,731	63,593
Trade and other receivables	10	513,069	466,720
Tax recoverable		909	515
Financial assets at fair value through profit or loss		22,131	33,583
Restricted bank deposits		131,951	154,368
Bank balances and cash		216,728	212,775
		<b>940,519</b>	931,554
<b>Current liabilities</b>			
Trade and other payables	11	489,900	475,481
Lease liabilities		8,136	8,886
Borrowings	12	517,337	576,898
Convertible bonds — debt component	13	52,900	49,985
Convertible bonds — embedded derivative component	13	—	76
Tax payable		444	799
		<b>1,068,717</b>	1,112,125
Net current liabilities		<b>(128,198)</b>	(180,571)
Total assets less current liabilities		<b>604,491</b>	558,931

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2023

	<i>Notes</i>	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	<b>As at 31 December 2022 HK\$'000 (audited)</b>
Non-current liabilities			
Deferred tax liabilities		<b>39,449</b>	40,025
Lease liabilities		<b>3,583</b>	4,405
		<b>43,032</b>	44,430
Net assets		<b>561,459</b>	514,501
Capital and reserves			
Share capital	14	<b>8,953</b>	8,543
Reserves		<b>240,218</b>	194,448
Equity attributable to owners of the Company		<b>249,171</b>	202,991
Non-controlling interests		<b>312,288</b>	311,510
Total equity		<b>561,459</b>	514,501

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company										Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note a)	Shareholders' contribution/distribution reserve HK\$'000 (note b)	Translation reserve HK\$'000	Other reserve HK\$'000 (note c)	Non-distributable reserve HK\$'000 (note d)	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 1 January 2022 (audited)	7,615	539,690	32,000	(274)	68,383	4,610	18,229	25,752	(483,916)	211,989	343,586	555,575
Loss for the period	-	-	-	-	-	-	-	-	(42,625)	(42,625)	(6,986)	(49,611)
Other comprehensive expense												
Exchange differences arising on translation of foreign operations	-	-	-	-	(20,655)	-	-	-	-	(20,655)	(9,407)	(30,062)
Share of other comprehensive expense of associates	-	-	-	-	(5,295)	-	-	-	-	(5,295)	-	(5,295)
Other comprehensive expense for the period	-	-	-	-	(25,950)	-	-	-	-	(25,950)	(9,407)	(35,357)
Total comprehensive expense for the period	-	-	-	-	(25,950)	-	-	-	(42,625)	(68,575)	(16,393)	(84,968)
Acquisition of additional interests in a subsidiary without change in control (Note 16)	-	-	-	-	-	(4,035)	-	-	-	(4,035)	4,035	-
At 30 June 2022 (unaudited)	7,615	539,690	32,000	(274)	42,433	575	18,229	25,752	(526,541)	139,379	331,228	470,607
At 1 January 2023 (audited)	8,543	678,051	32,000	(274)	9,360	606	19,846	25,006	(570,147)	202,991	311,510	514,501
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(17,072)	(17,072)	4,560	(12,512)
Other comprehensive expense												
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,389)	-	-	-	-	(1,389)	(3,546)	(4,935)
Share of other comprehensive expense of associates	-	-	-	-	(1,275)	-	-	-	-	(1,275)	-	(1,275)
Other comprehensive expense for the period	-	-	-	-	(2,664)	-	-	-	-	(2,664)	(3,546)	(6,210)
Total comprehensive (expense)/income for the period	-	-	-	-	(2,664)	-	-	-	(17,072)	(19,736)	1,014	(18,722)
Issue of shares (Note 14)	410	65,020	-	-	-	-	-	-	-	65,430	-	65,430
Disposals of subsidiaries (Note 15)	-	-	-	-	486	-	-	-	-	486	(236)	250
At 30 June 2023 (unaudited)	8,953	743,071	32,000	(274)	7,182	606	19,846	25,006	(587,219)	249,171	312,288	561,459

### Notes:

- The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK\$1 each issued by a subsidiary of the Company to its shareholders prior to a group reorganisation in 2002.
- The balance as at 30 June 2023 and 2022 included: (i) deemed distribution to a shareholder of approximately HK\$12,515,000 involving a distribution of assets other than cash to an owner by making reference to the fair value of the assets being distributed; (ii) deemed contribution from a shareholder of approximately HK\$842,000 on the disposal of a subsidiary with net liabilities; and (iii) deemed shareholders' contribution upon the waiver of loan from ultimate holding company of approximately HK\$11,399,000.
- Other reserve resulted from (i) the partial disposal of a subsidiary in previous years; (ii) provision for general risk reserve of subsidiaries in People's Republic of China (the "PRC") and (iii) acquisition of additional interests in a subsidiary without change in control.
- The non-distributable reserve of the Group mainly represents a statutory reserve requirement that the foreign investment enterprises appropriate 10% of the profit after taxation of the subsidiaries of the Company registered in the PRC to the non-distributable reserve under the PRC laws and regulations until the transferred amount equals 50% of the registered capital of these PRC subsidiaries. It can be used to make up for previous years' losses or converted into additional capital of these PRC subsidiaries.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<b>18,666</b>	17,792
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment	<b>(18,243)</b>	(9,592)
Dividends received from an associate	<b>6,750</b>	9,000
Net cash outflows on disposals of subsidiaries (Note 15)	<b>(171)</b>	–
Interest received	<b>1,041</b>	505
Proceeds from disposal of property, plant and equipment	<b>293</b>	2,034
Payment for purchase of financial assets at fair value through profit or loss (“FVTPL”)	<b>(11,313)</b>	(145,131)
Proceeds from disposal of financial assets at FVTPL	<b>23,118</b>	138,316
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	<b>1,475</b>	(4,868)
FINANCING ACTIVITIES		
Interest paid	<b>(8,285)</b>	(17,452)
New bank borrowing raised	<b>–</b>	1,178
New other borrowing raised	<b>25,153</b>	58,786
Repayments of bank borrowing	<b>(6,755)</b>	(6,201)
Repayments of other borrowing	<b>(16,715)</b>	(11,002)
Repayments of lease liabilities	<b>(7,688)</b>	(15,497)
Repayments of promissory note payable	<b>–</b>	(12,400)
NET CASH USED IN FINANCING ACTIVITIES	<b>(14,290)</b>	(2,588)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>5,851</b>	10,336
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<b>212,775</b>	238,016
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(1,898)</b>	(6,795)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<b>216,728</b>	241,557

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Pan Asia Data Holdings Inc. (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Company is an investment holding company. The Company’s principal subsidiaries are engaged in provision of big data services, provision of third-party payment services and manufacturing and trading of liquid coatings and powder coatings. Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”.

At 30 June 2023, the Group had net current liabilities of approximately HK\$128,198,000 and certain capital commitments (see note 17). In addition, as at 30 June 2023, the Group was in default under the terms and conditions of the relevant agreements of the convertible bonds for the aggregate principal amount and interests of HK\$52,900,000 that were not settled in full on the maturity date. As such, the holders of the convertible bonds have the right to demand for immediate repayment of the outstanding sum as at 30 June 2023.

The above conditions indicate the existence of material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and, therefore the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In assessing the appropriateness of the adoption of the going concern basis in the preparation of the Group’s condensed consolidated financial statements, the Directors prepared a cash flow forecast, covering a period of twelve months from the date of approval of these condensed consolidated financial statements (the “Cash Flow Forecast”) with careful consideration to the future liquidity and financial performance of the Group and its available sources of financing. In preparing the Cash Flow Forecast, the Directors have taken into account the following measures which the Group makes every effort to implement:

- (i) to obtain additional funds by equity financing and long-term debt financing to finance the Group’s working capital;

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION *(Continued)*

- (ii) to actively negotiate with the lenders of the other borrowings and the holders of convertible bonds, for the extension of repayments as the Group considers it has sufficient collateral to support the extension; and
- (iii) to formulate and closely monitor business strategy for the Group to generate cash flows from its existing and new business operations.

Based on the Cash Flow Forecast, assuming the above measures can be successfully implemented as planned, the board of directors (the “Directors”) of the Company are of the opinion that the Group would have sufficient working capital to finance its operations and to meet its financial obligations to enable the Group to continue as a going concern. Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Should the Group be unable to achieve the above plans and measures such that it would not operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group’s assets to their recoverable amounts and to provide for financial liabilities which might arise. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values as appropriate.

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENTAL INFORMATION

The Group has determined the operating segments based on the internal reports reviewed and used by the executive directors of the Company, who are the chief operating decision makers ("CODM"), for strategic decision making.

The CODM consider the business from a product and service perspective. The Group is organised into certain business units according to the nature of the products sold or services provided. The CODM review operating results and financial information of each business unit separately. Accordingly, each business unit is identified as an operating segment. These operating segments with similar economic characteristics and similar nature of products sold or services provided have been aggregated into the following reporting segments.

Big data services	—	Provision of big data services
Third-party payment services	—	Provision of third-party payment services
Coatings	—	Manufacturing and trading of coatings



### 3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

#### Segment revenues and results

The Group's revenue and results by operating and reportable segments are presented below:

#### Six months ended 30 June 2023 (unaudited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS				
<b>Provision of big data services</b>				
— Data analytics services	278,611	—	—	278,611
<b>Provision of third-party payment services</b>				
— Commission income	—	120	—	120
— Others	—	103	—	103
<b>Sale of goods</b>				
— Liquid coatings	—	—	190,209	190,209
— Powder coatings	—	—	14,401	14,401
External revenue (Point in time)	278,611	223	204,610	483,444
RESULTS				
Segment profits/(losses)	27,417	(8,781)	29,396	48,032
Interest income				1,041
Unallocated corporate income				3,165
Unallocated corporate expenses				(44,548)
Unallocated corporate other gains and losses, net				108
Finance costs				(23,430)
Share of results of associates				(8,676)
Loss before taxation				(24,308)
Income tax credit				11,796
Loss for the period				(12,512)

### 3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

#### Segment revenues and results *(Continued)*

The Group's revenue and results by operating and reportable segments are presented below: *(Continued)*

#### Six months ended 30 June 2022 (unaudited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS				
<b>Provision of big data services</b>				
— Data analytics services	201,726	—	—	201,726
<b>Provision of third-party payment services</b>				
— Commission income	—	30,816	—	30,816
— Others	—	2	—	2
<b>Sale of goods</b>				
— Liquid coatings	—	—	160,795	160,795
— Powder coatings	—	—	22,261	22,261
External revenue (Point in time)	201,726	30,818	183,056	415,600
RESULTS				
Segment profits/(losses)	23,601	(6,989)	28,768	45,380
Interest income				505
Unallocated corporate income				6,926
Unallocated corporate expenses				(92,857)
Unallocated corporate other gains and losses, net				(71)
Finance costs				(25,652)
Share of results of associates				10,870
Loss before taxation				(54,899)
Income tax credit				5,288
Loss for the period				(49,611)

### 3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

#### Segment revenues and results *(Continued)*

Segment profit/(losses) represent the results of each segment without allocation of corporate items, including interest income, management fee income and rental income from subsidiaries of an associate, loss on disposals of subsidiaries, net loss/gain on disposal of property, plant and equipment, gain on fair value change of convertible bonds, central administration cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, finance costs and share of results of associates. This is the measure reported to the management of the Group for the purpose of resources allocation and performance assessments.

#### Segment assets and liabilities

The Group's assets and liabilities by operating and reportable segments are presented below:

**As at 30 June 2023 (unaudited)**

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
ASSETS				
Segment assets	616,399	420,585	449,697	1,486,681
Unallocated assets				186,527
				<u>1,673,208</u>
LIABILITIES				
Segment liabilities	171,931	182,569	606,576	961,076
Unallocated liabilities				150,673
				<u>1,111,749</u>

### 3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

#### Segment assets and liabilities *(Continued)*

The Group's assets and liabilities by operating and reportable segments are presented below: *(Continued)*

#### As at 31 December 2022 (audited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
<b>ASSETS</b>				
Segment assets	550,286	459,391	454,313	1,463,990
Unallocated assets				207,066
				<u>1,671,056</u>
<b>LIABILITIES</b>				
Segment liabilities	133,920	203,045	609,742	946,707
Unallocated liabilities				209,848
				<u>1,156,555</u>

Segment assets include all tangible and intangible non-current assets and current assets with the exception of interests in associates, financial assets at fair value through profit or loss, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables, lease liabilities and borrowings attributable to sales activities of each segment with the exception of corporate expense payables.

#### Geographical information

No separate analysis of segment information by geographical region is presented as the Group's revenue are principally attributable to a single geographical region, which is the PRC.

#### 4. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowing and other borrowing	20,160	20,268
Interest on lease liabilities	355	570
Effective interest expense on convertible bonds	2,915	4,193
Imputed interest on promissory note payable	–	621
	<b>23,430</b>	<b>25,652</b>

#### 5. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Amortisation of intangible assets	979	979
Depreciation of property, plant and equipment	13,317	14,168
Depreciation of right-of-use assets	6,834	6,862
Gain on fair value change of convertible bonds (included in other gains or losses, net)	(76)	(3,229)
Net (gain)/loss on disposal of property, plant and equipment (included in other gains and losses, net)	(166)	72
Loss on disposals of subsidiaries (included in other gains and losses, net) (Note 15)	5	–
Gain on fair value change of financial assets at fair value through profit or loss (included in other gains and losses, net)	(353)	(517)
Expenses relating to short-term leases	1,123	410
Impairment losses recognised/(reversed) in respect of:		
– Trade receivables	3,985	(1,789)
– Other receivables	652	31
Interest income (included in other income)	(1,041)	(505)
Net exchange gain (included in other gains and losses, net)	(1,574)	(2,250)
Reversal of allowance for inventories (included in cost of revenue)	(1,267)	(258)

## 6. INCOME TAX CREDIT

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax	–	306
PRC Enterprise Income Tax:		
Current tax	349	162
Over-provision in prior years	–	(298)
	349	(136)
Deferred tax credit	(12,145)	(5,458)
Income tax credit	(11,796)	(5,288)

## 7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(17,072)	(42,625)
	'000	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	869,048	761,484

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and share options since their assumed exercise would result in a decrease in loss per share.

## 8. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, total additions to property, plant and equipment were approximately HK\$18,243,000 (six months ended 30 June 2022: HK\$9,592,000).

In addition, during the six months ended 30 June 2023, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$127,000 (six months ended 30 June 2022: HK\$2,106,000) for cash proceeds of approximately HK\$293,000 (six months ended 30 June 2022: HK\$2,034,000), resulting in a gain on disposal of approximately HK\$166,000 (six months ended 30 June 2022: loss on disposal of approximately HK\$72,000).

## 10. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	<b>As at 31 December 2022 HK\$'000 (audited)</b>
Trade receivables	<b>325,364</b>	285,131
Less: allowance for credit losses	<b>(35,980)</b>	(31,430)
	<b>289,384</b>	253,701
Bills receivables	<b>8,458</b>	6,120
Total trade and bills receivables	<b>297,842</b>	259,821
Other receivables, deposits and prepayments		
— Trade deposits paid to merchants	<b>124,214</b>	125,173
— Other receivables and prepayments	<b>91,013</b>	81,726
Total trade and other receivables	<b>513,069</b>	466,720

## 10. TRADE AND OTHER RECEIVABLES *(Continued)*

The normal credit period for customers is 30 to 90 days and all bills receivable mature within a period of 30 to 180 days. The following is an aging analysis of trade and bills receivables net of impairment losses presented based on the invoice date at the end of the reporting period.

	<b>As at 30 June 2023 HK\$'000 (unaudited)</b>	<b>As at 31 December 2022 HK\$'000 (audited)</b>
0–30 days	<b>74,273</b>	66,517
31–60 days	<b>61,880</b>	48,657
61–90 days	<b>46,614</b>	37,631
91–180 days	<b>51,370</b>	31,879
Over 180 days	<b>63,705</b>	75,137
	<b>297,842</b>	259,821

As at 30 June 2023, included in trade receivables, there were trade receivables due from subsidiaries of an associate and a subsidiary of a non-controlling shareholder of approximately HK\$15,925,000 (unaudited) (31 December 2022: HK\$14,306,000) and HK\$795,000 (unaudited) (31 December 2022: HK\$795,000), respectively. The amounts are unsecured and interest-free.

As at 30 June 2023, included in other receivables, there were amounts due from a subsidiary of an associate, an associate and a related company of approximately HK\$2,157,000 (unaudited) (31 December 2022: HK\$3,372,000), approximately HK\$1,266,000 (unaudited) (31 December 2022: HK\$2,418,000) and approximately HK\$169,000 (unaudited) (31 December 2022: HK\$87,000), respectively. The amounts are unsecured, interest-free and repayable on demand.



## 11. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables	222,857	200,353
Accrued staff cost	31,737	22,566
Payables to merchants	51,623	52,577
Unutilised float funds ( <i>Note</i> )	78,105	95,819
Other payables and accruals	105,578	104,166
	<b>489,900</b>	475,481

*Note:* The balances represented amounts prepaid by the third-party payment accounts' holders to the Group and unutilised at the end of the reporting period. The Group is required to pay to the merchants from these funds when the third-party payment accounts' holders make purchase transactions with respective merchants. The settlement terms with merchants vary and are dependent on the negotiation between the Group and individual merchants and number of purchase transactions.

The credit period on purchases of goods and services provided from suppliers is 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
0–30 days	102,094	93,999
31–60 days	10,256	14,799
61–90 days	2,232	11,340
Over 90 days	108,275	80,215
	<b>222,857</b>	200,353

As at 30 June 2023, included in trade payables were trade payables due to a subsidiary of an associate of approximately HK\$29,856,000 (unaudited) (31 December 2022: HK\$30,319,000). The amount is unsecured and interest-free.

As at 30 June 2023, included in other payables were amounts due to a subsidiary of an associate and related companies of approximately HK\$584,000 (unaudited) (31 December 2022: Nil) and approximately HK\$23,503,000 (unaudited) (31 December 2022: HK\$23,505,000), respectively. The amounts are unsecured, interest-free and repayable on demand.

## 12. BORROWINGS

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Secured		
– Bank borrowing (Note (i))	3,320	10,075
– Other borrowings (Note (ii))	510,000	500,000
Unsecured		
– Other borrowings (Note (iii))	4,017	66,823
	<b>517,337</b>	576,898
Less: Amount due for settlement within one year shown under current liabilities	<b>517,337</b>	(576,898)
Amount due for settlement after one year shown under non-current liabilities	–	–

*Notes:*

- (i) As at 30 June 2023, the Group had fixed-rate bank borrowing of RMB3,000,000 (equivalent to approximately HK\$3,320,000) (31 December 2022: RMB9,000,000 (equivalent to approximately HK\$10,075,000)), which was denominated in Renminbi (“RMB”) and carried interest at 4.5% (31 December 2022: 4.5%) per annum. The bank borrowing was secured by the personal guarantees and is repayable on 7 September 2023.
- (ii) As at 30 June 2023 and 31 December 2022, the Group had fixed-rate other borrowing of HK\$500,000,000, which was denominated in HK\$ and carried an interest rate of 7% per annum and is repayable on 29 November 2023 and is non-recourse to the Company. The other borrowing was secured by charges over a debt owed to the Company by a wholly-owned subsidiary of the Company and over the equity interest of a wholly-owned subsidiary of the Company.

During the six months ended 30 June 2023, the Group obtained a fixed-rate other borrowing of HK\$10,000,000, which was denominated in HK\$ and carried an interest rate range between 30% to 35.9% per annum and is repayable on 20 July 2023 and is recourse to the Company. The other borrowing was secured by charge over the equity interests of a shareholder of the Company. Subsequently, in July 2023, the maturity date of other borrowing is extended to 19 July 2024 as agreed with the lender.

## 12. BORROWINGS *(Continued)*

*Notes: (Continued)*

- (iii) As at 30 June 2023, the Group had fixed-rate other borrowings of approximately HK\$3,712,000 (31 December 2022: HK\$12,708,000), which were all denominated in HK\$ and carried interest at 1.5% (31 December 2022: 1.5%) per month. The other borrowings were unsecured and repayable on demand.

As at 30 June 2023, the Group had a fixed-rate other borrowing of approximately HK\$305,000 (31 December 2022: HK\$3,000,000), which was denominated in HK\$ and carried interest at 12% per annum. The other borrowing was unsecured and repayable on demand (31 December 2022: repayable in 2023).

As at 31 December 2022, the Group had three fixed-rate other borrowings of HK\$7,000,000, US\$1,500,000 (equivalent to approximately HK\$11,675,000) and RMB27,000,000 (equivalent to approximately HK\$32,440,000) respectively, carried interest at 6% per annum. The other borrowings are unsecured and repayable in 2023.

## 13. CONVERTIBLE BONDS

On 22 December 2021 (the "Issue Date"), the Company issued convertible bonds in an aggregate principal amount of HK\$46,000,000 (the "Convertible Bonds") in Hong Kong with a coupon rate of 6.0% per annum and a maturity of 18 months. The conversion period is the thirtieth day up to the seventh day prior to 22 June 2023 (the "Maturity Date") and the price of shares to be issued in exercise of the right of conversion is initially HK\$2.4 per share and the conversion price of Convertible Bonds would be adjusted accordingly when the Company distributes stock dividends, issues new shares or places new shares, distributes cash dividend.

On the Maturity Date, the Company would redeem all unconverted bonds from bondholders at the price of 106% par value of the issued Convertible Bonds.

On giving not less than 5 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), the Convertible Bonds may be redeemed by the Company in whole or in part, in single or multiple tranches, on the date specified in the optional redemption notice at 120% of their principal amount together with accrued interest to (but excluding) the optional redemption date at any time from and including the date falling 4 months from the Issue Date up to but excluding the date 13 months from the Issue Date. In accordance with the terms and conditions set out in the placing agreement, the redemption amount shall at no time exceed 50% of the total principal amount of the Convertible Bonds as at the Issue Date.

Binomial option pricing model is used for valuation of the derivative component. The key inputs used in the model are disclosed in note 19.

No conversion or redemption of the Convertible Bonds has occurred up to 30 June 2023.

### 13. CONVERTIBLE BONDS *(Continued)*

As at 30 June 2023, the Company was in default under the terms and conditions of the relevant agreements of the Convertible Bonds for the aggregate principal amount and interests of approximately HK\$52,900,000 that were not settled in full on the Maturity Date. Subsequently, the negotiation with the holders of the Convertible Bonds is still in progress.

Subsequent to the default of the Convertible Bonds, an additional interest will be accrued at the rate of 10% per annum from the date of occurrence of default until all sums due in respect of such Convertible Bonds are fully settled.

The movement of Convertible Bonds is as follows:

	<b>Debt component</b>	<b>Embedded derivative component</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2022 (audited)	41,624	3,539	45,163
Gain arising on changes in fair value	–	(3,463)	(3,463)
Interest charge	8,361	–	8,361
As at 31 December 2022 (audited) and 1 January 2023	49,985	76	50,061
Gain arising on changes in fair value (Note 5)	–	(76)	(76)
Interest charge (Note 4)	2,915	–	2,915
As at 30 June 2023 (unaudited)	<b>52,900</b>	<b>–</b>	<b>52,900</b>

## 14. SHARE CAPITAL

	2023		2022	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
Authorised:				
At 1 January 2022 (audited), 31 December 2022 (audited), 1 January 2023 (audited) and 30 June 2023 (unaudited)	10,000,000,000	100,000	10,000,000,000	100,000
Issued:				
At 1 January (audited)	854,316,981	8,543	761,483,665	7,615
Issue of shares under debt capitalisation (Note (i))	40,988,927	410	-	-
Issue of shares under subscription agreement (Note (ii))	-	-	92,833,316	928
At 30 June (unaudited)/ 31 December (audited)	895,305,908	8,953	854,316,981	8,543

### Notes:

- (i) On 18 April 2023, the Company has allotted and issued an aggregate of 35,963,448 capitalisation shares at the subscription price of HK\$1.60 per capitalisation share to the creditors for the settlement of the outstanding sum of approximately HK\$57,542,000. After deducting related expenses, an amount of approximately HK\$57,123,000 in excess of par value was credited to share premium.

On 30 June 2023, the Company has allotted and issued an aggregate of 5,025,479 capitalisation shares at the subscription price of HK\$1.60 per capitalisation share to the creditor for the settlement of the outstanding sum of approximately HK\$8,041,000. After deducting related expenses, an amount of approximately HK\$7,897,000 in excess of par value was credited to share premium.

- (ii) On 28 November 2022, the Company has allotted and issued an aggregate of 92,833,316 new ordinary shares of HK\$0.01 each at subscription price HK\$1.5015 per share of the settlement of the outstanding sum of the promissory note. Upon completion of the share allotment, the promissory note has been cancelled and the obligations of the parties to the promissory note ceased and determined and neither party has had any claim against each others in respect of the promissory note since. After deducting related expenses, an amount of approximately HK\$138,461,000 in excess of par value was credited to share premium.

## 15. DISPOSALS OF SUBSIDIARIES

### (a) Trufield (Dongguan) Innovative Material Limited\* (信輝(東莞)新材料有限公司) (“Trufield”)

During the current interim period, the Group entered into agreement to dispose of its entire equity interest in Trufield to an independent third party at a consideration of HK\$5,090,000. Trufield is engaged in the manufacturing of coatings. The disposal was completed on 28 June 2023.

The net assets of Trufield at the date of disposal were as follows:

	HK\$'000
Net assets disposed of	
Property, plant and equipment	2,436
Right-of-use assets	4,193
Inventories	4,119
Trade and other receivables	8,683
Bank balances and cash	2,628
Trade and other payables	(13,012)
Lease liabilities	(4,247)
Tax payable	(308)
	4,492
Gain on disposal	188
Release of reserves upon disposal	410
	5,090
Total consideration	5,090
Satisfied by:	
Cash	2,545
Deferred cash consideration ( <i>Note</i> )	2,545
	5,090
Net cash outflow arising on disposal:	
Total cash consideration received	2,545
Cash and cash equivalents disposal of	(2,628)
	(83)

*Note:* The deferred consideration has been settled in cash by the buyer in July 2023.

\* English translated name is for identification purpose only

## 15. DISPOSALS OF SUBSIDIARIES *(Continued)*

### (b) Fuzhou Asia Trading Company Limited\* (福州艾薩商貿有限責任公司) ("Fuzhou Asia Trading")

During the current interim period, the Group entered into an agreement to dispose of its 65% equity interest in Fuzhou Asia Trading to an independent third party at a consideration of HK\$322,000. Fuzhou Asia Trading is engaged in investment holding company. The disposal was completed on 6 June 2023.

The net assets of Fuzhou Asia Trading at the date of disposal were as follows:

	HK\$'000
Net assets disposed of	
Interests in an associate	277
Trade and other receivables	19
Bank balances and cash	410
Trade and other payables	(31)
	675
Non-controlling interests	(236)
Loss on disposal	(193)
Release of reserves upon disposal	76
Total consideration	322
Satisfied by:	
Cash	322
Net cash outflow arising on disposal:	
Total cash consideration received	322
Cash and cash equivalents disposal of	(410)
	(88)

\* English translated name is for identification purpose only

## 16. TRANSACTION WITH NON-CONTROLLING INTERESTS

### Acquisition of additional interests in a subsidiary without change in control

On 24 March 2022, the Company entered into an agreement with Lian Yang Guo Rong Holdings Limited (“LYGR”) to convert an existing non-interest-bearing loan of HK\$25,000,000 from the Company to LYGR into 1,921 shares of LYGR, which included a deemed consideration of approximately HK\$10,773,000 paid to non-controlling interests. After that, the Group’s equity interest in LYGR increased by approximately 2.69% from approximately 54.22% to 56.91%. The carrying amount of the non-controlling interests in LYGR acquired on the date of acquisition was approximately HK\$6,738,000. The Group recognised an increase in non-controlling interests of approximately HK\$4,035,000 and a decrease in equity attributable to owners of the Company of approximately HK\$4,035,000.

	Six months ended 30 June 2022 HK\$'000
Deemed consideration paid to non-controlling interests	10,773
Less: Carrying amount of non-controlling interests acquired	(6,738)
Excess of consideration paid recognised with parent’s equity	<u>4,035</u>

## 17. COMMITMENTS

### (a) Capital commitments

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>978</u>	<u>1,476</u>



## 17. COMMITMENTS *(Continued)*

### (b) Other commitments

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Proposed purchase of land contracted for but not provided in the condensed consolidated financial statements ( <i>Note</i> )	6,230	6,852

*Note:*

- (i) On 10 September 2012, the Group entered into a sale and purchase agreement with a company owned by Mr. Yuen Shu Wah, a former director of the Company, to acquire two pieces of land ("Parcel 1" and "Parcel 2") located in the PRC at an aggregate cash consideration of approximately RMB3,367,000 (equivalent to approximately HK\$3,843,000). Deposit of approximately RMB673,000 (equivalent to approximately HK\$831,000) was paid during the year ended 31 December 2012.

Pursuant to supplemental agreement made on 31 December 2019, acquisition of Parcel 2 was terminated and deposit of approximately RMB359,000 (equivalent to approximately HK\$401,000) was refunded. The remaining balance of Parcel 1 of approximately RMB1,092,000 and approximately RMB1,255,000 was included as commitment as at 30 June 2023 and 31 December 2022, equivalent to approximately HK\$1,208,000 and approximately HK\$1,466,000, respectively. The acquisition of Parcel 1 had not yet been completed up to 30 June 2023.

- (ii) On 22 May 2015, the Group entered into a sale and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of approximately RMB6,579,000 (equivalent to approximately HK\$7,509,000). Deposit of approximately RMB1,961,000 (equivalent to approximately HK\$2,340,000) was paid and the remaining balance of approximately RMB4,618,000 was included as commitment as at 30 June 2023 and 31 December 2022, equivalent to approximately HK\$5,022,000 and approximately HK\$5,386,000, respectively. The purchase of the land had not yet been completed up to 30 June 2023.

## 18. RELATED PARTY TRANSACTIONS

During the period, save as disclosed elsewhere in the condensed consolidated financial statements, the Group also had the following transactions with its related parties:

Relationship	Nature of transactions	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Subsidiaries of an associate	Sales of goods	61,903	18,600
	Management fee income	1,300	1,300
	Rental income	1,865	1,772
	Transportation fee income	1,950	3,240
	Purchase of goods	7,064	252
	Royalty fee income	3,629	5,781
	Testing income	28	289
	Testing expenses	27	–
	Dividend received	6,750	9,000

### Compensation of key management personnel

The remuneration of the executive directors, who represent the key management personnel of the Group, was as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Short-term employee benefits	1,941	3,240
Post-employment benefits	56	33
	1,997	3,273

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis. Certain Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In determining the fair value of the financial instruments, the management of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company (the "Chief Financial Officer"), to determine the appropriate valuation techniques and inputs for fair value measurements. The Chief Financial Officer reports the valuation committee's findings to the management of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Financial assets/ financial liabilities	Fair value as at			Valuation techniques and key inputs	Significant unobservable inputs
	30 June 2023 (unaudited)	31 December 2022 (audited)	Fair value hierarchy		
Unlisted equity shares classified as financial assets at fair value through profit or loss	<b>Assets, HK\$Nil</b>	Assets, HK\$Nil	Level 3	Adjusted net asset value of equity	N/A
Financial Products	<b>Assets, HK\$22,131,000</b>	Assets, HK\$33,583,000	Level 2	Discounted cash flow – Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying investments	N/A
Convertible bonds – embedded derivative component	<b>Liabilities, N/A</b>	Liabilities, HK\$76,000	Level 3	Binomial option pricing with the volatilities and risk-free rates as key inputs	Expected volatility (/Note (i)) Risk-free rate (/Note (i))

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Note:

- (i) As at 31 December 2022, if a) the expected volatility used was multiplied by 95% or 105% while all the other variables were held constant, the gain on fair value change would decrease by approximately HK\$42,000/increase by approximately HK\$63,000; b) the risk-free rate used was multiplied by 95% or 105% while all the other variables were held constant, the gain on fair value change would decrease by approximately HK\$1,000/increase by approximately HK\$1,000.

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2023 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Reconciliation of Level 3 fair value measurement of financial liabilities:

	<b>Convertible bonds – embedded derivative component</b> HK\$'000
As at 1 January 2022 (audited)	3,539
Gain on fair value change	(3,229)
As at 30 June 2022 (unaudited)	310
As at 1 January 2023 (audited)	<b>76</b>
Gain on fair value change	<b>(76)</b>
As at 30 June 2023 (unaudited)	<b>–</b>

The management of the Group consider that the carrying amounts of its financial assets and financial liabilities recorded at amortised cost in condensed consolidated financial statement approximate their fair values.