



联洋智能
PAD

Pan Asia Data Holdings Inc.
聯洋智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1561

INTERIM REPORT

2022

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gu Zhongli (*Chairman*)

Mr. Charles Simon

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

David Norman & Co.

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

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STOCK CODE

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WEBSITE

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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\$415,600,000 (2021: HK\$212,940,000) for the six months ended 30 June 2022. This represented an increase of approximately 95.2% compared with the corresponding period for the previous year mainly due to the commencement of the new business segment of big data services in June 2021.

The Group generated revenue from provision of big data services of approximately HK\$201,726,000 (2021: HK\$18,218,000), third-party payment services of approximately HK\$30,818,000 (2021: HK\$3,254,000) and manufacturing and trading of coatings of approximately HK\$183,056,000 (2021: HK\$191,468,000) for the six months ended 30 June 2022.

Loss attributable to owners of the Company for the six months ended 30 June 2022 decreased to approximately HK\$42,625,000 (2021: HK\$159,363,000), which was mainly attributable to the decrease in impairment losses on the Group’s intangible assets which was partially offset by an increase in administrative expenses and research and development expenses .

Loss per share for the six months ended 30 June 2022 was approximately HK5.60 cents (2021: HK23.15 cents).

The Group’s net asset value attributable to owners of the Company per share as at 30 June 2022 was approximately HK\$0.2 (31 December 2021: HK\$0.3).

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 2022 (2021: 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.

On 24 March 2022, the Company entered into an agreement with 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 (“LYGR’s Share”) credited as fully paid at the price of HK\$13,008 per LYGR’s Share, which reflects an agreed pre-issue valuation of LYGR of HK\$400,000,000 (“LYGR Third Acquisition”). The Group’s equity interest in LYGR increased by approximately 2.69% from approximately 54.22% to 56.91% on completion of the LYGR Third Acquisition.

During the six months ended 30 June 2022, LYGR Group significantly expanded its customer reach among PRC banks and licensed consumer finance companies as well as top-tier internet finance companies for providing digital risk management services to Chinese financial institutions. The Big Data Services Segment contributed revenue of approximately HK\$201,726,000 (2021: HK\$18,218,000) and segment profit of approximately HK\$23,601,000 (2021: HK\$8,077,000) to the Group for the six months ended 30 June 2022.

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”).

* English translation of name is for identification purpose only

BUSINESS REVIEW *(Continued)*

Third-Party Payment Services Business *(Continued)*

The Third-Party Payment Services Segment contributed revenue of approximately HK\$30,818,000 (2021: HK\$3,254,000), which represented an increase of approximately 847.1%, and segment loss of approximately HK\$6,989,000 (2021: HK\$657,993,000) to the Group for the six months ended 30 June 2022.

During the six months ended 30 June 2022, there was a recovery in the business activities of the Group's Third-Party Payment Services Segment. The third-party payment transaction volume processed for the six months ended 30 June 2022 increased significantly as compared to that of the corresponding period in 2021. The significant increase in business activities was mainly attributable to (i) the active business expansion pursued by the new management team in compliance with relevant laws and regulations and (ii) the massive shift in consumption from offline merchants to the internet in the first half of the year due to the pandemic, which stimulated growth in online consumption.

Days Services holds a licence issued by the People's Bank of China ("PBOC") authorising the provision of third-party payment services in the People's Republic of China (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.

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.

Coatings Business

During the six months ended 30 June 2022, due to the outbreak of pandemic in early 2022, revenue for the coatings business decreased to approximately HK\$183,056,000 (2021: HK\$191,468,000). This represented a decrease of approximately 4.4% compared with the corresponding period for the previous year. The segment profit for the coatings business increased to approximately HK\$28,768,000 (2021: HK\$20,448,000) for the six months ended 30 June 2022.

BUSINESS REVIEW *(Continued)*

Coatings Business *(Continued)*

During the six months ended 30 June 2022, the Group's share of profit of Cashew Manfield Holding Limited (formerly known as CMW Holding Limited), an associate of the Company, amounted to approximately HK\$10,880,000 (2021: HK\$18,499,000). The decrease in profit was primarily due to uprise of the labour costs as well as raw materials cost for the period.

Overall Performance

For the six months ended 30 June 2022, the gross profit and gross profit margin of the Group increased to approximately HK\$175,301,000 (2021: HK\$53,743,000) and approximately 42.2% (2021: 25.2%) respectively mainly due to the commencement of the new business segment of big data services in June 2021, which has a higher gross profit margin than the business segments of third-party payment services and coatings.

Other income of the Group increased to approximately HK\$19,412,000 (2021: HK\$11,026,000) for the six months ended 30 June 2022, mainly due to (i) gain on fair value change of convertible bonds and (ii) increase in transportation fee income.

Other gains of the Group increased to approximately HK\$6,131,000 (2021: HK\$3,488,000) for the six months ended 30 June 2022, mainly due to increase in exchange gain of approximately HK\$3,163,000.

Distribution and selling expenses of the Group increased to approximately HK\$28,472,000 (2021: HK\$27,109,000) for the six months ended 30 June 2022, mainly due to an increment of expenses from Big Data Services Segment which commenced in June 2021.

Administrative expenses of the Group increased to approximately HK\$128,371,000 (2021: HK\$68,295,000) for the six months ended 30 June 2022, mainly attributable to an increment in expenses from the Big Data Services Segment which commenced in June 2021.

Research and development expenses of the Group increased to approximately HK\$85,876,000 (2021: HK\$7,931,000) for the six months ended 30 June 2022, mainly due to an increment of expenses from Big Data Services Segment which commenced in June 2021.

Finance costs of the Group increased to approximately HK\$25,652,000 (2021: HK\$22,677,000) for the six months ended 30 June 2022, mainly due to the increase in remaining balance of borrowings.

BUSINESS REVIEW *(Continued)*

Overall Performance *(Continued)*

For the six months ended 30 June 2022, income tax credit of the Group decreased to approximately HK\$5,288,000 (2021: HK\$158,691,000), mainly due to the decrease in reversal of deferred tax liabilities in respect of fair value adjustments on intangible assets.

Others

In June 2021, the Group received an arbitral award issued by the Shanghai International Economic and Trade Arbitration Commission dated 18 June 2021 in relation to the arbitration proceedings for the intended exercise of its right to dispose of 40% equity interest in 萬輝泰克諾斯(常州)化工有限公司 (Manfield Teknos (Changzhou) Chemical Company Limited*) (“Manfield Changzhou”).

The overall effect of the arbitral award after set off is that Teknos Group Oy, the 40% minority shareholder of Manfield Changzhou, was required to pay the Group a sum of RMB133,892.09 within 15 days of the effective date of the arbitral award, but the shareholdings of both parties in Manfield Changzhou remain unchanged. The payment had been received in July 2022.

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 2022 are set out as follows:

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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 2022 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 ^(Note)	End of 2022
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 2022 and up to the date of this report, the registration and approval procedures is still ongoing. 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 2022, the cash and cash equivalent of the Group amounted to approximately HK\$241,557,000 (which were denominated in Renminbi except for amounts equivalent to approximately HK\$47,602,000 and HK\$1,839,000 which were denominated in Hong Kong dollars and Vietnamese Dong, respectively) as compared with approximately HK\$238,016,000 as at 31 December 2021 (which were denominated in Renminbi except for amounts equivalent to approximately HK\$52,144,000 and HK\$1,062,000 which were denominated in Hong Kong dollars and Vietnamese Dong, respectively).

As at 30 June 2022, the Group's non-current assets of approximately HK\$786,054,000 (31 December 2021: HK\$815,423,000) consisted of property, plant and equipment of approximately HK\$157,368,000 (31 December 2021: HK\$169,033,000), right-of-use assets of approximately HK\$68,702,000 (31 December 2021: HK\$80,772,000), intangible assets of approximately HK\$370,537,000 (31 December 2021: HK\$376,292,000), interests in associates of approximately HK\$164,643,000 (31 December 2021: HK\$168,068,000), deferred tax assets of approximately HK\$22,030,000 (31 December 2021: HK\$18,294,000) and deposits paid for non-current assets of approximately HK\$2,774,000 (31 December 2021: HK\$2,964,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 30 June 2022, the Group's net current assets amounted to approximately HK\$234,343,000 (31 December 2021: HK\$354,157,000).

As at 30 June 2022, the Group had total indebtedness of approximately HK\$765,933,000 (31 December 2021: HK\$752,950,000) which comprised borrowings, promissory note payable, convertible bonds and lease liabilities of approximately HK\$561,794,000 (31 December 2021: HK\$519,033,000), HK\$137,524,000 (31 December 2021: HK\$149,303,000), HK\$46,127,000 (31 December 2021: HK\$45,163,000) and HK\$20,488,000 (31 December 2021: HK\$39,451,000), respectively.

As at 30 June 2022, all the borrowings of the Group were denominated in Hong Kong dollars, except for amounts equivalent to approximately HK\$35,975,000 (31 December 2021: HK\$8,559,000) and approximately HK\$11,675,000 (31 December 2021: nil) which were denominated in Renminbi and United States dollars, respectively. As at 30 June 2022 and 31 December 2021, all borrowings carried fixed interest rates. As at 30 June 2022, the promissory note payable bear interest from 0.25% to 1.25% (31 December 2021: 0.25% to 1.25%) per annum and were denominated in Hong Kong dollars. Interest rates for all leases are fixed on the contract dates. As at 30 June 2022, the convertible bonds bear interest of 6% (31 December 2021: 6%) per annum and were denominated in Hong Kong dollars. Other borrowing of HK\$500,000,000 (31 December 2021: HK\$500,000,000) is non-recourse to the Company but is 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.

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

(Continued)

As at 30 June 2022, out of the total borrowings, approximately HK\$61,794,000 (31 December 2021: HK\$19,033,000) was repayable within one year and HK\$500,000,000 (31 December 2021: HK\$500,000,000) was repayable after one year. As at 30 June 2022, the outstanding principal amount of the promissory note payable was approximately HK\$133,985,000 (31 December 2021: HK\$146,385,000).

As at 30 June 2022, the gearing ratio of the Group was approximately 162.8% (31 December 2021: 135.5%), calculated by dividing total debts (which represents the sum of borrowings, promissory note payable, convertible bonds and lease liabilities) by total equity multiplied by 100%. Net debt to equity ratio (net debt, being total debts net of bank and cash balances and restricted bank deposits, divided by total equity) of the Group was approximately 71.7% (31 December 2021: 52.8%) as at 30 June 2022. The current ratio, calculated by dividing current assets by current liabilities, as at 30 June 2022 was approximately 1.3 times (31 December 2021: 1.6 times).

As at 30 June 2022, save as disclosed in note 15 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 2022, the Group had capital commitments contracted for but not provided — acquisition of property, plant and equipment of approximately HK\$3,126,000 (31 December 2021: HK\$2,768,000) and other commitments contracted for but not provided — proposed purchase of land of approximately HK\$6,920,000 (31 December 2021: HK\$7,183,000).

As at 30 June 2022 and 31 December 2021, 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 854 (31 December 2021: 826) employees as at 30 June 2022 with total staff cost of approximately HK\$71,278,000 for the six months ended 30 June 2022. 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 2022, 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

The ecosystem in which the Group operates will remain challenging in 2022 as the international political and economic situation continues to be volatile and the impact of COVID-19 continues to expand and affect key cities in China. However, benefitting from the layout of the big data analytics business segment in the early stage, the Group has successfully built an independent “SaaS/PaaS” cloud platform to apply artificial intelligence-enabled algorithmic solutions in retail finance, and has been contracted from time to time to serve dozens of cooperative customers including leading banks, leading licensed consumer finance companies and large-scale personal credit digital promoters in China. Besides, this business area has already recorded over HK\$200 million in revenue in the first half of the year, and has become a stable business support and core growth point for the Group, which has laid a stable foundation for the Group’s good performance in 2022.

Looking ahead, the Group will forge ahead and continue to deepen the development of its big data analytics business. We are confident that we will continue to further expand our market share and establish a dominant position in the market through continuous optimisation and upgrading of our products and services to create greater value for our customers and shareholders.

DISCLOSURE OF OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2022, 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 shareholding in the Company upon full exercise of share options ⁽ⁱ⁾
Mr. Li Gong	Long position	27 July 2021	740,000	0.09%
Dr. Shi Ping	Long position	27 July 2021	740,000	0.09%

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 2022, 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 2022, none of the Directors, 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 summarised below:

1. Objective: The objectives of the Share Award Scheme are (i) to recognise the contributions by certain selected grantees 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 nominal value 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, 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 Group, 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 2022 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.

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.

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 2022:

Grantee(s)	Date of grant	Number of share options				As at 30 June 2022	Exercise Price HK\$	Approximate % of shareholding upon full exercise of share options Note (i)
		As at 1 January 2022	During the reporting period					
			Exercised	Cancelled	Lapsed			
<i>Executive Director</i>								
Ms. Liu Rong Rong (Note ii)	27 July 2021	7,400,000	-	-	-	7,400,000	2.056	0.94%
<i>Independent non-executive Directors</i>								
Mr. Li Gong	27 July 2021	740,000	-	-	-	740,000	2.056	0.09%
Dr. Shi Ping	27 July 2021	740,000	-	-	-	740,000	2.056	0.09%
		8,880,000	-	-	-	8,880,000		1.12%
Employees of the Group	27 July 2021	7,380,000	-	-	-	7,380,000	2.056	0.94%
Consultants of the Group	27 July 2021	10,000,000	-	-	-	10,000,000	2.056	1.27%
Total		26,260,000	-	-	-	26,260,000		3.33%

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 2022, assuming all the outstanding share options are exercised.
- (ii) Ms. Liu Rong Rong has resigned as an executive Director of the Company on 8 April 2022.
- (iii) 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 2022, and all of the share options have been fully vested to the grantees on 27 July 2021, being the date of grant.
- (iv) 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 2022 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 OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, so far as is known to the Directors, the following parties (not being a Director or chief executive of the Company) 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	217,297,714	28.54%
Mr. Li Xiao Ru (<i>Note 1</i>)	Long position	Interest of a controlled corporation	217,297,714	28.54%
Mr. Sze Ching Lau	Long position	Beneficial owner	80,724,000	10.60%
Lian Yang Investment Limited	Long position	Beneficial owner	76,092,789	9.99%

Notes:

- (1) As of 30 June 2022, Timenew Limited was wholly beneficially owned by Mr. Li Xiao Ru. Mr. Li Xiao Ru was therefore deemed to be interested in the 217,297,714 shares held by Timenew Limited under the SFO.
- (2) As of 30 June 2022, the Company's total number of issued shares was 761,483,665.

Save as disclosed above, as at 30 June 2022, 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

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 2022.

CHANGE IN INFORMATION OF DIRECTORS

The changes in the information of the Directors since 1 January 2022, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Executive Director	
Ms. Liu Rong Rong	Resigned as an executive Director on 8 April 2022
Non-executive Director	
Dr. Dong Lihuan	Appointed as a non-executive Director on 4 February 2022

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 2022, save for the code provision C.2.1 of the CG Code as described below.

CG Code C.2.1

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive officer”. Mr. Gu Zhongli has been appointed as the Chairman of the Board (the “Chairman”) and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board’s affairs and promoting a culture of openness and debate. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer, the balance of power and authority is struck by the openness and cooperation spirit of the senior management and the Board, which comprises experienced and high-calibre individuals who meet from time to time to discuss issues affecting operation of the Company and the Group. The structure is supported by the Company’s well-established corporate governance structure and internal control policies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstance arise.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

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 2022.

Constitutional Document

At the annual general meeting of the Company held on 1 June 2022, shareholders of the Company has passed a special resolution approving the adoption of the new memorandum and articles of association of the Company. Save as aforesaid, there has been no changes in the constitutional documents of the Company during the six months ended 30 June 2022.

Audit Committee Review

The Audit Committee of the Company, comprising all the independent non-executive Directors of the Company, has reviewed with the Company's external auditor, Baker Tilly Hong Kong Limited, 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 2022.

By Order of the Board

Pan Asia Data Holdings Inc.

Gu Zhongli

Chairman

Hong Kong, 31 August 2022

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF
PAN ASIA DATA HOLDINGS INC.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Pan Asia Data Holdings Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period ended 30 June 2021 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 31 August 2022

Gao Yajun

Practising certificate number P06391

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited) (Re-presented)
Revenue	3	415,600	212,940
Cost of sales and services		(240,299)	(159,197)
Gross profit		175,301	53,743
Other income		19,412	11,026
Other gains and losses, net		6,131	3,488
Reversal of impairment losses/ (impairment losses) under expected credit loss model		1,758	(5,292)
Impairment losses of other intangible assets	10	–	(631,594)
Distribution and selling expenses		(28,472)	(27,109)
Administrative expenses		(128,371)	(68,295)
Research and development expenses		(85,876)	(7,931)
Finance costs	4	(25,652)	(22,677)
Share of results of associates		10,870	19,109
Loss before taxation	5	(54,899)	(675,532)
Income tax credit	6	5,288	158,691
Loss for the period		(49,611)	(516,841)
Loss for the period attributable to:			
Owners of the Company		(42,625)	(159,363)
Non-controlling interests		(6,986)	(357,478)
		(49,611)	(516,841)
Loss per share			
– Basic and diluted	7	(HK5.60 cents)	(HK23.15 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(49,611)	(516,841)
Other comprehensive (expense)/income Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(30,062)	31,639
Share of other comprehensive (expense)/income of associates	(5,295)	3,627
Other comprehensive (expense)/income for the period	(35,357)	35,266
Total comprehensive expense for the period	(84,968)	(481,575)
Total comprehensive expense attributable to:		
Owners of the Company	(68,575)	(139,620)
Non-controlling interests	(16,393)	(341,955)
	(84,968)	(481,575)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	157,368	169,033
Right-of-use assets		68,702	80,772
Intangible assets	10	370,537	376,292
Interests in associates	11	164,643	168,068
Financial assets at fair value through profit or loss		—	—
Deferred tax assets		22,030	18,294
Deposits paid for non-current assets		2,774	2,964
		786,054	815,423
Current assets			
Inventories		43,903	43,254
Trade and other receivables	12	508,134	454,059
Tax recoverable		25	25
Financial assets at fair value through profit or loss		23,565	17,659
Restricted bank deposits	13	186,722	221,382
Bank balances and cash		241,557	238,016
		1,003,906	974,395
Current liabilities			
Trade and other payables	14	511,150	437,710
Lease liabilities		11,211	12,587
Borrowings	15	61,794	19,033
Promissory note payable	16	137,524	149,303
Convertible bonds — debt component	17	45,817	—
Convertible bonds — embedded derivative component	17	310	—
Tax payable		1,757	1,605
		769,563	620,238
Net current assets		234,343	354,157
Total assets less current liabilities		1,020,397	1,169,580

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		40,513	41,978
Borrowings	15	500,000	500,000
Convertible bonds – debt component	17	–	41,624
Convertible bonds – embedded derivative component	17	–	3,539
Lease liabilities		9,277	26,864
		549,790	614,005
Net assets		470,607	555,575
Capital and reserves			
Share capital	18	7,615	7,615
Reserves		131,764	204,374
Equity attributable to owners of the Company		139,379	211,989
Non-controlling interests		331,228	343,586
Total equity		470,607	555,575

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company											
	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	Total equity HK\$'000
At 1 January 2021 (audited)	6,774	375,103	32,000	(274)	43,795	4,571	17,432	-	(244,368)	235,003	606,250	841,253
Loss for the period	-	-	-	-	-	-	-	-	(159,363)	(159,363)	(357,478)	(516,841)
Other comprehensive income												
Exchange differences arising on translation of foreign operations	-	-	-	-	16,116	-	-	-	-	16,116	15,523	31,639
Share of other comprehensive income of associates	-	-	-	-	3,627	-	-	-	-	3,627	-	3,627
Other comprehensive income for the period	-	-	-	-	19,743	-	-	-	-	19,743	15,523	35,266
Total comprehensive income/(expense) for the period	-	-	-	-	19,743	-	-	-	(159,363)	(139,620)	(341,955)	(481,575)
Issue of shares (Note 18)	691	136,141	-	-	-	-	-	-	-	136,832	-	136,632
Increase in non-controlling interest as a result of step acquisition of a subsidiary (Note 19)	-	-	-	-	-	-	-	-	-	-	114,337	114,337
At 30 June 2021 (unaudited)	7,465	511,244	32,000	(274)	63,538	4,571	17,432	-	(403,761)	232,215	376,632	610,847
At 1 January 2022 (audited)	7,615	539,590	32,000	(274)	68,383	4,610	18,229	25,752	(463,916)	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 20)	-	-	-	-	-	(4,035)	-	-	-	(4,035)	4,035	-
At 30 June 2022 (unaudited)	7,615	539,590	32,000	(274)	42,433	575	18,229	25,752	(526,541)	139,379	331,228	470,607

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 2022 and 2021 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 and (ii) 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 People's Republic of China (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 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	17,792	(31,482)
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment	(9,592)	(24,461)
Dividends received from an associate	9,000	13,500
Net cash inflows on step acquisition of a subsidiary (Note 19)	–	26,536
Interest received	505	756
Proceeds from disposal of property, plant and equipment	2,034	816
Payment for purchase of financial assets at fair value through profit or loss (“FVTPL”)	(145,131)	–
Proceeds from disposal of financial assets at FVTPL	138,316	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(4,868)	17,147
FINANCING ACTIVITIES		
Interest paid	(17,452)	(17,490)
New bank borrowing raised	1,178	12,189
New other borrowing raised	58,786	38,675
Repayments of bank borrowing	(6,201)	–
Repayments of other borrowing	(11,002)	–
Repayments of lease liabilities	(15,497)	(6,356)
Repayments of promissory note payable	(12,400)	–
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(2,588)	27,018
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,336	12,683
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	238,016	227,878
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,795)	4,143
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	241,557	244,704

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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”.

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 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the 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 is principally engaged in provision of big data services, provision of third-party payment services, and manufacturing and trading of liquid coatings and powder coatings. The Group had commenced a business engaging in big data services since the step acquisition of Lian Yang Guo Rong Holdings Limited ("LYGR") on 2 June 2021, and was considered as a new operating and reportable segment by the Group's chief operating decision maker in the prior period.

The Group's reportable segments are as follows:

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 2022 (unaudited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
REVENUE FROM CONTRACTS WITH CUSTOMERS				
Provision of big data services				
— Data analytics services	201,726	—	—	201,726
Provision of third-party payment services				
— Commission income	—	30,816	—	30,816
— Others	—	2	—	2
Sale of goods				
— 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)*

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

Six months ended 30 June 2021 (unaudited)

	Big data services HK\$' 000	Third-party payment services HK\$' 000	Coatings HK\$' 000	Total HK\$' 000
REVENUE FROM CONTRACTS WITH CUSTOMERS				
Provision of big data services				
— Data analytics services	18,218	—	—	18,218
Provision of third-party payment services				
— Commission income	—	1,548	—	1,548
— Others	—	1,706	—	1,706
Sale of goods				
— Liquid coatings	—	—	176,234	176,234
— Powder coatings	—	—	15,234	15,234
External revenue (Point in time)	18,218	3,254	191,468	212,940
RESULTS				
Segment profits/(losses)	8,077	(657,993)	20,448	(629,468)
Interest income				756
Unallocated corporate income				4,866
Unallocated corporate expenses				(52,278)
Unallocated corporate other gains and losses, net				4,160
Finance costs				(22,677)
Share of results of associates				19,109
Loss before taxation				(675,532)
Income tax credit				158,691
Loss for the period				(516,841)

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, gain on step acquisition of a subsidiary, 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 2022 (unaudited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
ASSETS				
Segment assets	590,338	511,620	469,759	1,571,717
Unallocated assets				218,243
				<u>1,789,960</u>
LIABILITIES				
Segment liabilities	163,844	222,506	605,957	992,307
Unallocated liabilities				327,046
				<u>1,319,353</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 2021 (audited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
ASSETS				
Segment assets	534,337	565,916	472,692	1,572,945
Unallocated assets				216,873
				<u>1,789,818</u>
LIABILITIES				
Segment liabilities	95,322	252,968	596,674	944,964
Unallocated liabilities				289,279
				<u>1,234,243</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 and non-current assets are principally attributable to a single geographical region, which is the PRC.

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowing and other borrowing	20,268	19,622
Interest on lease liabilities	570	503
Effective interest expense on convertible bonds (Note 17)	4,193	–
Imputed interest on promissory note payable (Note 16)	621	2,552
	25,652	22,677

5. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Amortisation of intangible assets	979	11,104
Depreciation of property, plant and equipment	14,168	11,398
Depreciation of right-of-use assets	6,862	6,343
Gain on fair value change of convertible bonds (Note 17)	(3,229)	–
Donation	620	990
Net loss/(gain) on disposal of property, plant and equipment	72	(397)
Gain on step acquisition of a subsidiary (Note 19)	–	(3,697)
Gain on fair value change of financial assets at fair value through profit or loss	(517)	(16)
Expense relating to short-term leases	410	110
Interest income	(505)	(756)
Net exchange (gain)/loss	(2,250)	913
(Reversal of)/provision for allowance for inventories	(258)	1,383

6. INCOME TAX CREDIT

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax:		
Current period	306	1,046
Over-provision in prior years	–	–
	306	1,046
PRC Enterprise Income Tax:		
Current period	162	70
Over-provision in prior years	(298)	(1,626)
	(136)	(1,556)
Deferred tax	(5,458)	(158,181)
Taxation credit	(5,288)	(158,691)

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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(42,625)	(159,363)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	761,484	688,388

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 2022 (six months ended 30 June 2021: nil).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, total additions to property, plant and equipment were approximately HK\$9,592,000 (six months ended 30 June 2021: HK\$24,461,000) which mainly represented additions to leasehold improvements and construction in progress of approximately HK\$3,442,000 (six months ended 30 June 2021: HK\$16,881,000), owned properties of Nil (six months ended 30 June 2021: HK\$459,000), furniture, fixtures and office equipment of approximately HK\$3,609,000 (six months ended 30 June 2021: HK\$6,286,000), motor vehicles of approximately HK\$125,000 (six months ended 30 June 2021: HK\$711,000), and plant, machinery and equipment of approximately HK\$2,416,000 (six months ended 30 June 2021: HK\$124,000).

In addition, during the six months ended 30 June 2022, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$2,106,000 (six months ended 30 June 2021: HK\$419,000) for cash proceeds of approximately HK\$2,034,000 (six months ended 30 June 2021: HK\$816,000), resulting in a loss on disposal of approximately HK\$72,000 (six months ended 30 June 2021: gain on disposal of approximately HK\$397,000).

10. MOVEMENTS IN INTANGIBLE ASSETS

During the six months ended 30 June 2021, total additions to intangible assets were approximately HK\$374,420,000 which mainly represented additions to goodwill of approximately HK\$114,545,000, computer software of approximately HK\$21,346,000, and contract related intangible assets of approximately HK\$238,529,000. There was no additions to intangible assets during the six months ended 30 June 2022.

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, holds a licence issued by the People's Bank of China (the "PBOC") authorising the provision of third-party payment services in the PRC (the "Payment License") which expired on 28 August 2021. On 29 August 2021, Days Services was informed that the PBOC had decided to suspend the review process. The management of the Group concluded there was indication for impairment and conducted impairment assessment on carrying amounts of certain cash-generating units within the third-party payment services segment. Based on the result of the assessment, the Group recognised impairment loss of approximately HK\$631,594,000 related to other intangible assets during the six months ended 30 June 2021.

* English translation of name is for identification purpose only

11. INTERESTS IN ASSOCIATES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Cost of investments in associates, unlisted	513	513
Accumulated share of post-acquisition profits and other comprehensive income, net of dividends received	164,130	167,555
	164,643	168,068

During the six months ended 30 June 2021, LYGR ceased to be an associate of the Group and has become a subsidiary of the Company. On 2 June 2021, the Group completed an additional investment of approximately 23.33% in LYGR, through acquiring from an existing shareholder of LYGR at an aggregate consideration of approximately HK\$93,294,000 (the "Acquisition"). Upon completion of the Acquisition, the Group held equity interest of approximately 54.22% in LYGR and LYGR has become an indirect non-wholly owned subsidiary of the Company thereafter. Details of the Acquisition are disclosed in note 19.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade receivables	332,867	286,547
Less: loss allowance on trade receivables	(30,609)	(33,427)
	302,258	253,120
Bills receivables	12,499	8,830
Total trade and bills receivables	314,757	261,950
Other receivables, deposits and prepayments		
— Trade deposits paid to merchants	124,511	129,322
— Receivable from the clearing houses for third-party payment services	4,970	3,024
— Other receivables and prepayments	63,896	59,763
Total trade and other receivables	508,134	454,059

12. TRADE AND OTHER RECEIVABLES *(Continued)*

The normal credit period for customers is 30 days to 90 days and all bills receivable mature within a period of 30 days 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.

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0–30 days	149,357	71,187
31–60 days	33,717	52,291
61–90 days	30,684	26,332
91–180 days	25,002	38,353
Over 180 days	75,997	73,787
	314,757	261,950

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$126,444,000 (unaudited) (31 December 2021: HK\$168,110,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$76,777,000 (unaudited) (31 December 2021: HK\$94,178,000) has been past due 90 days or more and is not considered as in default because there was no historical default of payments by the respective customers. The Group does not hold any collateral over these balances.

As at 30 June 2022, 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\$3,307,000 (unaudited) (31 December 2021: HK\$5,116,000) and nil (unaudited) (31 December 2021: HK\$868,000) respectively.

As at 30 June 2022, included in other receivables, there were amounts due from subsidiary of an associate, an associate and a related company of approximately HK\$2,774,000 (unaudited) (31 December 2021: HK\$6,200,000), approximately HK\$1,647,000 (unaudited) (31 December 2021: HK\$2,038,000) and approximately HK\$377,000 (unaudited) (31 December 2021: HK\$135,000) respectively. These amounts are unsecured, interest-free and repayable on demand.

13. RESTRICTED BANK DEPOSITS

Restricted bank deposits comprises:

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Maintained for the purpose of settlements of outstanding payables to merchants when the third-party payment accounts' holders make purchase transactions with respective merchants (<i>Note</i>)	181,806	215,664
Maintained for merchants as performance guarantee deposits	1,120	1,162
Maintained as reserve deposits to secure the Group's use of online business to business payment platforms provided by the banks	2,600	3,317
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government	1,196	1,239
	186,722	221,382

Note: These restricted deposits are maintained to fulfil the requirements as per announcement of the PBOC (No. 6 2013) "Measures for the Custody of Clients' Reserves of Payment Institutions" (the "Announcement"). As set out in the Announcement, reserves received from third-party payment accounts' holders by the Group must be deposited in a special-purpose deposit account as reserve at a reserves bank. The reserves can only be used for payments entrusted by third-party payment accounts' holders. Without approval by the third-party payment accounts' holders, the Group cannot appropriate the reserves for similar purposes or for other purposes, lend the reserves, or use them to provide guarantee for others.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade payables	186,457	119,833
Accrued staff cost	27,699	20,063
Payables to merchants	65,000	66,174
Unutilised float funds (<i>Note</i>)	110,625	129,037
Other payables and accruals	121,369	102,603
	511,150	437,710

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 days 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 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0–30 days	140,528	93,121
31–60 days	11,324	13,572
61–90 days	3,074	3,425
Over 90 days	31,531	9,715
	186,457	119,833

As at 30 June 2022, included in trade payables, there were trade payables due to a subsidiary of an associate of approximately HK\$8,000 (unaudited) (31 December 2021: HK\$80,000).

As at 30 June 2022, included in other payables, there was an amount due to a subsidiary of an associate and related companies of nil (unaudited) (31 December 2021: HK\$20,000) and approximately HK\$23,510,000 (unaudited) (31 December 2021: HK\$23,510,000). The amount is unsecured, interest-free and repayable on demand.

15. BORROWINGS

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Secured		
– Bank borrowing (Note (i))	3,535	8,559
– Other borrowing (Note (ii))	500,000	500,000
Unsecured		
– Other borrowing (Note (iii))	58,259	10,474
	561,794	519,033
Less: Amount due for settlement within one year shown under current liabilities	(61,794)	(19,033)
Amount due for settlement after one year shown under non-current liabilities	500,000	500,000

Notes:

- (i) As at 30 June 2022, the Group had fixed-rate bank borrowing of RMB2,000,000 (31 December 2021: RMB7,000,000) (equivalent to approximately HK\$2,357,000 (31 December 2021: HK\$8,559,000)), which was denominated in Renminbi (“RMB”) and carried interest at 5% per annum (31 December 2021: 5%). The bank borrowing was secured by the personal guarantees and is repayable on 20 August 2022.

During the six months ended 30 June 2022, the Group obtained a fixed-rate bank borrowing of RMB1,000,000 (equivalent to approximately HK\$1,178,000), which was denominated in RMB and carried interest at 4.2% per annum. The bank borrowing was secured by the factory premise with carrying value of approximately HK\$9,956,000 and is repayable on 28 June 2023.

- (ii) As at 30 June 2022 and 31 December 2021, 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.

- (iii) As at 30 June 2022, the Group had fixed-rate other borrowings of approximately HK\$7,144,000 (31 December 2021: HK\$10,474,000), which were all denominated in HK\$ and carried interest at 1.5% per month (31 December 2021: 1.5%). The other borrowings were unsecured and repayable on demand.

During the six months ended 30 June 2022, the Group obtained 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 were unsecured and repayable on demand.

16. PROMISSORY NOTE PAYABLE

	HK\$'000
At 1 January 2021 (audited)	163,579
Imputed interest	4,805
Repayment of promissory note	(19,081)
	<hr/>
At 31 December 2021 (audited) and 1 January 2022 (audited)	149,303
	<hr/>
Imputed interest (<i>Note 4</i>)	621
Repayment of promissory note	(12,400)
	<hr/>
At 30 June 2022 (unaudited)	137,524
	<hr/>

Note:

On 27 February 2020, the Group issued promissory note with principal amounts of HK\$230,000,000, interest-bearing at rates from 0.25% to 1.25% per annum depending on the repayment date with maturity date on 26 February 2022 as part of the consideration to acquire a 51% equity interest in Mao Hong Information Technology Holdings Limited. In March and June 2022, the Group entered into agreements with the note holder to extend the maturity date to 24 June 2022 and 24 August 2022 for promissory note with principal amount of HK\$133,985,000, respectively. As at 30 June 2022, the outstanding principal amount of the promissory note was approximately HK\$133,985,000 (31 December 2021: HK\$146,385,000). Subsequently, in August 2022, the maturity date of the outstanding promissory note is further extended to 30 November 2022 as agreed with the note holder.

17. 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.

17. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds comprise two components:

- (a) Debt component was initially measured at fair value amounting to approximately HK\$42,461,000. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.
- (b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value amounting to approximately HK\$3,539,000.

The total transaction costs of approximately HK\$1,053,000 that are related to the issue of the Convertible Bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The total transaction costs relating to the derivative component were charged to profit or loss in previous year. Transaction costs relating to the debt component were included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

	Debt component	Embedded derivative component	Total
	HK\$'000	HK\$'000	HK\$'000
Issue of Convertible Bonds	42,461	3,539	46,000
Transaction costs	(972)	(81)	(1,053)
Transaction costs charged into profit or loss immediately	–	81	81
Interest charge	135	–	135
As at 31 December 2021 (audited) and 1 January 2022 (audited)	41,624	3,539	45,163
Gain arising on changes in fair value (Note 5)	–	(3,229)	(3,229)
Interest charge (Note 4)	4,193	–	4,193
As at 30 June 2022 (unaudited)	45,817	310	46,127

17. CONVERTIBLE BONDS *(Continued)*

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Analysed for reporting purposes as:		
Current liabilities		
Convertible bonds — debt component	45,817	—
Convertible bonds — embedded derivative component	310	—
Non-current liabilities		
Convertible bonds — debt component	—	41,624
Convertible bonds — embedded derivative component	—	3,539
	46,127	45,163

No conversion or redemption of the Convertible Bonds has occurred up to 30 June 2022.

As at 30 June 2022, the derivative component was measured at fair value with reference to valuation report issued by Hong Kong Appraisal Advisory Limited and the changes in fair value are recognised in profit or loss during the six months ended 30 June 2022.

Binomial option pricing model is used for valuation of the derivative component. The key inputs used in the model are disclosed in note 23.

18. SHARE CAPITAL

	2022		2021	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	10,000,000,000	100,000	10,000,000,000	100,000
Issued:				
At 1 January (audited)	761,483,665	7,615	677,376,770	6,774
Issue of shares for step acquisition of a subsidiary (Note (i))	-	-	69,106,895	691
Issue of share under subscription agreements (Note (ii))	-	-	15,000,000	150
At 30 June (unaudited)/ 31 December (audited)	761,483,665	7,615	761,483,665	7,615

Notes:

- (i) On 2 June 2021, the Company issued 69,106,895 new ordinary shares of HK\$0.01 each, as consideration for the step acquisition of a subsidiary (Note 19). The closing market price of the Company's shares as at 2 June 2021 as quoted on the Stock Exchange was HK\$1.98. After deducting related expenses, an amount of approximately HK\$136,141,000 in excess of par value was credited to share premium.
- (ii) On 27 August 2021, the Company issued a total of 15,000,000 new ordinary shares of HK\$0.01 each at the issue price of HK\$2.00 per share payable in cash under a subscription agreement dated 6 August 2021 and the gross proceeds from such issues amounted to approximately HK\$30,000,000. After deducting related expenses, an amount of approximately HK\$28,346,000 in excess of par value was credited to share premium.

19. STEP ACQUISITION OF A SUBSIDIARY

On 11 February 2021, the Group entered into a sale and purchase agreement with a shareholder of LYGR, pursuant to which the Group agreed to purchase 23.33% of the equity interest in LYGR for a consideration of approximately HK\$93,294,000. The consideration was payable by the issue of 69,106,895 new shares in the Company at the issue price of HK\$1.35 each.

The Acquisition was completed on 2 June 2021 (the “Completion Date”). On Completion Date, LYGR became a 54.22% indirectly owned subsidiary of the Company. In accordance with HKFRSs, the Group continued to share the results of LYGR under the equity method of accounting during the period from 1 January 2021 to the Completion Date.

As at the Completion Date, the Group remeasured the fair value of its previously held 30.89% equity interest in LYGR at the Completion Date and recognised a gain of approximately HK\$3,697,000 on the remeasurement of the Group’s pre-existing interest in LYGR to fair value on Completion Date which has been recognised to the profit or loss and presented as “Gain on step acquisition of a subsidiary” under “Other gains and losses, net” in the condensed consolidated statement of profit or loss.

LYGR and its subsidiaries are principally engaged in the provision of information and data services.

19. STEP ACQUISITION OF A SUBSIDIARY (Continued)

Fair value of net identifiable assets and liabilities of LYGR as at the date of acquisition are as follows:

	2021 HK\$'000
Net assets acquired:	
Property, plant and equipment	6,039
Right-of-use assets	19,364
Intangible assets	259,875
Financial assets at fair value through profit or loss	4,826
Deferred tax assets	7,459
Amount due from a shareholder	99
Trade and other receivables	54,412
Cash and cash equivalents	26,536
Trade and other payables	(41,564)
Amount due to related companies	(24,861)
Lease liabilities	(20,770)
Tax payable	(1,642)
Deferred tax liabilities	(40,021)
	<hr/>
Net identifiable assets at fair value	249,752
Non-controlling interests	(114,337)
Goodwill	114,545
	<hr/>
Total consideration	249,960

The goodwill of approximately HK\$114,545,000, which is not deductible for tax purposes, mainly represents the control premium paid, skills and technical talent of LYGR's workforce and the expected synergies to be achieved from integrating LYGR into the Group's existing businesses and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

19. STEP ACQUISITION OF A SUBSIDIARY (Continued)

The Group has elected to measure the non-controlling interests in LYGR at its proportionate share of the acquired net identifiable assets. The amount of the non-controlling interests at the Completion Date amounted to approximately HK\$114,337,000.

	2021 HK\$'000
Total consideration satisfied by:	
Consideration shares (<i>Note</i>)	136,832
Fair value of previously held 30.89% equity interest in LYGR	113,128
	<hr/>
	249,960

Note: As at the Completion Date, the fair value of 69,106,895 new shares would be approximately HK\$136,832,000 at the closing price of HK\$1.98 each.

	2021 HK\$'000
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	26,536

Since the Completion Date to 30 June 2021, LYGR and its subsidiaries had contributed revenue of approximately HK\$18,218,000 to the Group's revenue, and profit of approximately HK\$4,659,000 to the Group's loss. If the acquisition had occurred on 1 January 2021, the Group's revenue and loss for six months ended 30 June 2021 would have been approximately HK\$263,590,000 and HK\$514,233,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future performance.

20. 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 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	4,035

There was no transaction with non-controlling interests in 2021.

21. COMMITMENTS

(a) Capital commitments

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for	3,126	2,768

21. COMMITMENTS *(Continued)*

(b) Other commitments

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Proposed purchase of land contracted for but not provided for <i>(Note)</i>	6,920	7,183

Note:

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 RMB1,255,000 was included as commitment as at 30 June 2022 and 31 December 2021, equivalent to approximately HK\$1,479,000 and approximately HK\$1,535,000 respectively. The acquisition of Parcel 1 had not yet been completed up to 30 June 2022.

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 2022 and 31 December 2021, equivalent to approximately HK\$5,441,000 and approximately HK\$5,648,000 respectively. The purchase of the land had not yet been completed up to 30 June 2022.

22. 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	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Subsidiaries of an associate	Sales of goods	18,600	19,716
	Management fee income	1,300	1,300
	Rental income	1,772	1,784
	Transportation fee income	3,240	1,780
	Purchase of goods	252	271
	Royalty fee income	5,781	5,678
	Testing income	289	–
	Dividend received	9,000	13,500

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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Short-term employee benefits	3,240	6,074
Post-employment benefits	33	18
	3,273	6,092

23. 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 Financial Controller of the Company (the "Financial Controller"), to determine the appropriate valuation techniques and inputs for fair value measurements. The Financial Controller 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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30 June 2022 (unaudited)	31 December 2021 (audited)			
Unlisted equity shares classified as financial assets at fair value through profit or loss	Unlisted equity shares, HK\$nil	Unlisted equity shares, HK\$nil	Level 3	Market comparable companies The key inputs are price-earnings ratio of comparable listed companies and a discount for lack of marketability of 6.5%	Discount for lack of marketability (Note (i))
Financial Products	Assets, HK\$23,565,000	Assets, HK\$17,659,000	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	Liabilities, HK\$310,000	Liabilities, HK\$3,539,000	Level 3	Binomial option pricing with the volatilities and risk-free rates as key inputs	Expected volatility (Note (i)) Risk-free rate (Note (ii))

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Notes:

- (i) As at 30 June 2022 and 31 December 2021, a 10% increase/decrease in the discount for lack of marketability holding all other variables constant would not have significant decrease/increase in the carrying amount of unlisted equity shares classified as financial assets at fair value through profit or loss.
- (ii) As at 30 June 2022 and 31 December 2021, a 10% increase/decrease in the expected volatility and risk free rate while all other variables constant would not have significant decrease/increase in the carrying amount of unlisted equity shares classified as financial assets at fair value through profit or loss.

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2022 (31 December 2021: 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 assets and financial liabilities:

	Convertible bonds – embedded derivative component HK\$'000	Financial assets at fair value through profit or loss HK\$'000
As at 1 January 2021 (audited)	–	544
Loss on fair value change	–	(550)
Issuance of convertible bonds	3,539	–
Exchange adjustments	–	6
As at 31 December 2021 (audited) and 1 January 2022 (audited)	3,539	–
Gain on fair value change	(3,229)	–
As at 30 June 2022 (unaudited)	310	–

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.