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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)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE FOR DEBT CAPITALISATION

DEBT CAPITALISATION

On 21 June 2023 (after trading hours), the Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 5,025,479 Capitalisation Shares at the price of HK\$1.60 per Share in settlement of the Indebted Sum.

The Capitalisation Shares represent (i) approximately 0.56% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the completion of the Debt Capitalisation.

The issue of the Capitalisation Shares is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Capitalisation Shares.

Completion of the Debt Capitalisation is subject to the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

On 15 May 2023, the Company entered into the Loan Agreement with the Creditor, pursuant to which a loan in the amount of HK\$8,000,000 was provided by the Creditor to the Company.

The outstanding principal amount and the accrued interests thereon under the Loan Agreement have been due for repayment as at the date of this announcement. After negotiation with the Creditor, the Board announces that on 21 June 2023 (after trading hours of the Stock Exchange), the Company and the Creditor have agreed to settle the Indebted Sum of approximately HK\$8,041,000 by way of allotment and issue of a total of 5,025,479 Capitalisation Shares at the price of HK\$1.60 per Share to the Creditor, subject to (i) the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares to be allotted and issued; and (ii) compliance with the applicable rules and regulations under the Listing Rules.

THE DEBT CAPITALISATION

Date

21 June 2023

Issuer

the Company

Subscriber

The Creditor is a natural person who is a PRC resident. To the best of the Directors' information and belief after having made all reasonable enquiries, save for the Creditor holding 4,662,363 Shares as at the date of this announcement, the Creditor is a third party independent of the Company and its connected persons.

Debt Capitalisation

The Company is in debt to the Creditor in the amount of the Indebted Sum. The Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe 5,025,479 Capitalisation Shares at the Subscription Price of HK\$1.60 per Share in settlement of the Indebted Sum.

Capitalisation Shares

5,025,479 new Shares will be issued under the Debt Capitalisation.

The Capitalisation Shares represent (i) approximately 0.56% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the completion of the Debt Capitalisation.

The Capitalisation Shares have an aggregate nominal value of HK\$50,254.79.

Subscription Price

HK\$1.60 per Capitalisation Share, representing:

- (a) a premium of approximately 55.3% to the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on 21 June 2023, being the date on which the Company and the Creditor conditionally agreed on the Debt Capitalisation; and
- (b) a premium of approximately 73.9% to the average closing price of HK\$0.92 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date on which the Company and the Creditor conditionally agreed on the Debt Capitalisation.

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Creditor and with reference to the market conditions and the prevailing market price of the Shares. The Directors consider that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Debt Capitalisation contemplated thereunder involves the capitalisation of the Indebted Sum into 5,025,479 Capitalisation Shares of HK\$1.60 per Share, and the Company will use its internal resources to settle the professional fees and all other related expenses which may be borne by the Company in connection with the Debt Capitalisation. The net issue price per Capitalisation Share will be HK\$1.60.

There will be no proceeds arising from the issue of the Capitalisation Shares as all the Subscription Prices will be set off against the debts owing by the Company to the Creditor on a dollar to dollar basis.

General Mandate

The Capitalisation Shares will be issued under the General Mandate granted to Directors to allot, issue and deal with 152,296,733 new Shares. As at the date of this announcement, save for 92,833,316 new Shares being issued on 28 November 2022 for the cancellation of the promissory note (details of which are set out in the announcements of the Company dated 22 November 2022 and 28 November 2022) and 35,963,448 new Shares being issued on 18 April 2023 for the settlement of certain loans (details of which are set out in the announcements of the Company dated 27 March 2023 and 18 April 2023), no Shares have been allotted and issued pursuant to the General Mandate. Accordingly, 23,499,969 Shares remains available for allotment and issuance under the General Mandate which is sufficient for the issue of the Capitalisation Shares. As a result, the issue of the Capitalisation Shares is not subject to separate Shareholders' approval.

Application for Listing

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Debt Capitalisation, including the right to any dividends or distributions after the date of allotment.

Condition to the Debt Capitalisation

Completion of the Debt Capitalisation is conditional upon the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares.

Completion of the Debt Capitalisation

Completion of the Debt Capitalisation will take place as soon as practicable after the date upon which the condition mentioned above has been satisfied. If such condition is not fulfilled, the Debt Capitalisation will not proceed.

FUND-RAISING EXERCISE IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities for the 12 months immediately before the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholdings of the Company as at date of this announcement and immediately after completion of the Debt Capitalisation is and will be as follows:

	As at the date of this announcement		Immediately after completion of the Debt Capitalisation	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Non-public Shareholders				
Timenew Limited	202,405,714	22.73	202,405,714	22.61
Lian Yang Investment Limited	<u>76,092,789</u>	<u>8.55</u>	<u>76,092,789</u>	<u>8.50</u>
Subtotal	<u>278,498,503</u>	<u>31.28</u>	<u>278,498,503</u>	<u>31.11</u>
Public Shareholders				
The Creditor	4,662,363	0.52	9,687,842	1.08
Other public Shareholders	<u>607,119,563</u>	<u>68.20</u>	<u>607,119,563</u>	<u>67.81</u>
Subtotal	<u>611,781,926</u>	<u>68.72</u>	<u>616,807,405</u>	<u>68.89</u>
Total	<u>890,280,429</u>	<u>100.00</u>	<u>895,305,908</u>	<u>100.00</u>

REASONS AND BENEFITS FOR THE DEBT CAPITALISATION

The Company is an investment holding company. 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 Loan Agreement bears interest at the rate of 6% per annum, and it has been due for repayment as at the date of this announcement. As at 31 December 2022, the Group had cash in hand of approximately HK\$212.8 million and trade and bills receivables of approximately HK\$259.8 million. On the other hand, as at 31 December 2022, the Group had (i) current liabilities of other borrowings which were due for settlement within one year of approximately HK\$576.9 million (from which other borrowings of approximately HK\$54.1 million in aggregate have been capitalised on 18 April 2023 and other borrowings of HK\$500 million is under negotiation with the lender for the extension of repayments as the Group considers it has sufficient collateral to support the extension); and (ii) trade payables which were due for settlement of approximately HK\$200.4 million. While the Group still has remaining cash balances after excluding the aforesaid amount of cash which had been earmarked for the settlement of other borrowings and trade payables, such cash balances are deposited at the bank accounts of the Group in the PRC. As the Loan Agreement was entered into in Hong Kong, the Group is not able to directly transfer its funds deposited at the bank accounts in the PRC to Hong Kong for settlement of the overseas debt under the Loan Agreement pursuant to the applicable laws and regulations of the PRC.

The Directors have also considered other alternative of settlement of the Indebted Sum, such as intra-group lendings by the Group's subsidiaries in the PRC to the Company for settlement of the Indebted Sum. However, the Directors considered that it is in the interests of the Company to retain sufficient liquidity to support the working capital needs of the Group's principal businesses in the PRC, namely big data business. In particular, in order to fully grasp the market opportunities arising from the favourable policy support on big data industry and economic recovery, the Group has always adhered to product research and development and team building. On the one hand, the artificial intelligence empowered algorithm solutions established by the Group require constant updates and improvement to cater for the changing needs of various businesses and customers, so as to improve the core competitiveness of our products. On the other hand, the Group also continued to expand the application of artificial intelligence empowered algorithm solutions in the field of diversified financial business, and extend the application of our products to more extensive business scenarios to strengthen our foothold in the market of digital transformation for financial institutions. All of the above business strategies require significant working capital inputs of our Group from time to time. In view of the challenging economic environments in the world and the PRC, the Directors considers that it is prudent to preserve as much liquidity as possible to support the stable operation of the Group's principal businesses.

The Directors have considered other alternative financing methods to settle the Indebted Sum, however, those other financing methods taken into consideration have the following disadvantages:

- (i) as disclosed in the Company's annual report for the year ended 31 December 2022, the gearing ratio of the Group (calculated by dividing total debts by total equity multiplied by 100%) as at 31 December 2022 was approximately 124.4%. Debt financing such as bank borrowings, will inevitably further increase the interest expenses and gearing ratio of the Group, it may also require pledge of assets and/or other kind of securities which may reduce the Group's flexibility in managing its portfolio. Moreover, debt financing may be subject to lengthy and time-consuming due diligence and negotiations for more favourable terms for such borrowings; and
- (ii) given the recent turbulence and uncertainty in the stock market and the economic environment, it is difficult to ascertain market demand and to have certainty in successful equity fund raising, and is also difficult to procure an underwriter for rights issue/open offer or a placing agent for share placement. Rights issue and open offer generally requires more legal documentations preparation and additional administrative procedures which are relatively more time consuming and less cost effective.

Even though the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Shareholders, having considered (i) the capitalisation of the Indebted Sum can alleviate the repayment and settlement pressure of the Company; and (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base, and accordingly, strengthen the financial position of the Group, the Directors are of the view that the Debt Capitalisation is a more desirable and cost-effective solution for the Company to settle the Indebted Sum.

In view of the above, the Directors consider that the terms of the Debt Capitalisation to be fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Completion of the Debt Capitalisation is subject to the Stock Exchange granting the listing of and permission to deal in the Capitalisation Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following words and phrases have the following meanings:

“2022 AGM”	the annual general meeting of the Company held on 1 June 2022
“Board”	the board of Directors of the Company
“Capitalisation Share(s)”	5,025,479 new Shares to be allotted and issued by the Company to the Creditor in settlement of the Indebted Sum
“Company”	Pan Asia Data Holdings Inc. (聯洋智能控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1561)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Creditor”	Yao Keyu (姚克宇), a PRC citizen and save for holding 4,662,363 Shares, a third party independent of the Company and its connected persons
“Debt Capitalisation”	the capitalisation of the Indebted Sum owed by the Group to the Creditor
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the 2022 AGM to allot and issue up to 152,296,733 new Shares, representing 20% of the issued share capital of the Company on the date of the 2022 AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indebted Sum”	a sum of approximately HK\$8,041,000 owed by the Company to Creditor pursuant to the Loan Agreement and the interests accrued thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 15 May 2023 and entered into between the Company and the Creditor, pursuant to which a loan in the amount of HK\$8,000,000 was provided to the Company

“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$1.60 per Capitalisation Share

By Order of the Board
Pan Asia Data Holdings Inc.
Gu Zhongli
Chairman

Hong Kong, 21 June 2023

At the date of this announcement, the Board comprises Mr. Gu Zhongli (Chairman), Dr. Wang Bangyi and Mr. Jin Peiyi as executive Directors; Dr. Dong Liuhuan as non-executive Director and Mr. Li Gong, Dr. Shi Ping and Ms. Xu Yanqiong as independent non-executive Directors.