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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “Directors”) (the “Board”) of Pan Asia Data Holdings Inc. (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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").

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

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

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

- (i) to obtain additional funds by equity financing and long-term debt financing to finance the Group's working capital;
- (ii) to actively negotiate with the lenders of the other borrowings and the holders of convertible bonds, for the extension of repayments as the Group considers it has sufficient collateral to support the extension; and
- (iii) to formulate and closely monitor business strategy for the Group to generate cash flows from its existing and new business operations.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of amendments to HKFRSs

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

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

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

3. REVENUE AND SEGMENTAL INFORMATION

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

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

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

Segment revenues and results

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

Six months ended 30 June 2023 (unaudited)

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

Six months ended 30 June 2022 (unaudited)

	Big data services <i>HK\$'000</i>	Third-party payment services <i>HK\$'000</i>	Coatings <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)	<u>201,726</u>	<u>30,818</u>	<u>183,056</u>	<u>415,600</u>
RESULTS				
Segment profits/(losses)	<u>23,601</u>	<u>(6,989)</u>	<u>28,768</u>	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				<u>10,870</u>
Loss before taxation				(54,899)
Income tax credit				<u>5,288</u>
Loss for the period				<u>(49,611)</u>

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

Segment assets and liabilities

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

As at 30 June 2023 (unaudited)

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

As at 31 December 2022 (audited)

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

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

Geographical information

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

4. FINANCE COSTS

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

5. LOSS BEFORE TAXATION

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

6. INCOME TAX CREDIT

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

7. LOSS PER SHARE

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

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

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

8. DIVIDEND

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

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

11. BORROWINGS

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

Notes:

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

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

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

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

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

12. CONVERTIBLE BONDS

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

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

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

Binomial option pricing model is used for valuation of the derivative component.

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

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

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

The movement of Convertible Bonds is as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL OVERVIEW

The Group had a consolidated revenue of approximately HK\$483,444,000 (2022: HK\$415,600,000) for the six months ended 30 June 2023. This represented an increase of approximately 16.3% compared with the corresponding period for the previous year mainly due to significant increase in the business activities of the Group's big data services segment.

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

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

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

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

Big Data Services Business

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

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

Third-Party Payment Services Business

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

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

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

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

Coatings Business

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

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

Overall Performance

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

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

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

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

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

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

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

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

Others

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

USE OF NET PROCEEDS FROM LISTING

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

Use	Revised allocation <i>HK\$ million</i>	Utilisation as at 30 June 2023 <i>HK\$ million</i>	Remaining balance after revised allocation <i>HK\$ million</i>	Expected timeline for the intended use
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 2023
Repayment of a bank overdraft facility	20.0	20.0	–	
General working capital of the Group	2.9	2.9	–	
Long term lease for a piece of land in Vietnam	5.4	5.4	–	
Construction of Vietnam production facilities	13.1	13.1	–	
Purchase of additional machinery and equipment, and other costs for Vietnam production	9.5	9.5	–	
General working capital of Vietnam operation	22.5	22.5	–	
	<u>119.9</u>	<u>118.5</u>	<u>1.4</u>	

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

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

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

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

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

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

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

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

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

As at 30 June 2023, save as disclosed in note 11 to the consolidated financial statements in this announcement, the Group did not have any assets under charge/pledge.

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

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

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

TREASURY POLICY

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

EMPLOYEES

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL

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

PROSPECTS AND STRATEGIES

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

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

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

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

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

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

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

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

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

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

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

CHANGE IN INFORMATION OF DIRECTORS

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

Name of Directors	Details of Changes
Executive Director	
Mr. Charles Simon	Resigned as an executive Director on 20 January 2023

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with corporate governance code

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

Compliance with Model Code for Securities Transactions by Directors

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

Audit Committee Review

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

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

Hong Kong, 31 August 2023

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 a non-executive Director, and Mr. Li Gong, Dr. Shi Ping and Ms. Xu Yanqiong as independent non-executive Directors.

** English translation of name is for identification purpose only*