



联洋智能
PAD

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

(Formerly known as Manfield Chemical Holdings Limited 萬輝化工控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1561

Interim Report **2020**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Li Zhong Yuan (*Chairman*)

Ms. Liu Rong Rong

Non-Executive Directors

Ms. Zuo Yi

Mr. Kong Muk Yin

(resigned on 10 January 2020)

Independent Non-Executive Directors

Mr. Li Gong

Mr. Wang Jianping

Dr. Shi Ping

AUDIT COMMITTEE

Dr. Shi Ping (*Chairman*)

Mr. Li Gong

Mr. Wang Jianping

NOMINATION COMMITTEE

Mr. Li Gong (*Chairman*)

Dr. Li Zhong Yuan

Mr. Wang Jianping

REMUNERATION COMMITTEE

Mr. Wang Jianping (*Chairman*)

Dr. Li Zhong Yuan

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 Dentons Law Offices, LLP (Shanghai)

ETR Law Firm

As to Cayman Islands law

Harneys Westwood & Riegels

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong)
Limited

The Hong Kong and Shanghai Banking
Corporation Limited

China Merchants Bank, Songgang branch

Bank of China, Zengcheng branch

Agricultural Bank of China, Zhongxin branch

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman

KY1-1002

Cayman Islands

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Hong Kong

STOCK CODE

1561

WEBSITE

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL OVERVIEW

Pan Asia Data Holdings Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) had a consolidated revenue of approximately HK\$363,744,000 (2019: HK\$190,576,000) for the six months ended 30 June 2020. This represented an increase of approximately 90.9% compared with that for the previous year mainly due to the new business segment of third-party payment services, commenced in the second half of 2019.

The Group generated revenue from provision of third-party payment services of approximately HK\$230,614,000 (2019: Nil) and manufacturing and trading of coatings of approximately HK\$133,130,000 (2019: HK\$190,576,000) for the six months ended 30 June 2020.

Loss attributable to owners of the Company for the six months ended 30 June 2020 increased to approximately HK\$36,172,000 (2019: HK\$22,313,000), mainly attributable to (i) loss on fair value change of contingent consideration payable and (ii) the increase in corporate expenses and finance costs.

Loss per share for the six months ended 30 June 2020 was approximately HK5.42 cents (2019: HK3.72 cents).

The Group’s net asset value attributable to owners of the Company per share as at 30 June 2020 was HK\$1.1 (31 December 2019: HK\$1.1).

INTERIM DIVIDEND

The board of Directors (the “Board”) of the Company has not resolved to pay, and does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

BUSINESS REVIEW

Third-Party Payment Services Business

Mao Hong Information Technology Holding Limited (“Mao Hong”), a non-wholly owned subsidiary of the Company, and its subsidiaries operate 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 acquisition of Mao Hong was completed on 9 August 2019. The financial results of Mao Hong and its subsidiaries have been consolidated in the consolidated financial statements of the Group since 9 August 2019. The Third-Party Payment Services Segment contributed revenue of approximately HK\$230,614,000 (2019: Nil) and segment profit of approximately HK\$39,398,000 (2019: Nil) to the Group for the six months ended 30 June 2020.

In early 2020, the lockdown and quarantine caused by the novel coronavirus pandemic (“COVID-19”) has caused negative impact to the Group’s third-party payment services business. Despite the ongoing epidemic, the Group did its best to enable the third-party payment services business to remain stable during the period.

Big Data Business

Lian Yang Guo Rong Holdings Limited, an associate of the Company, and its subsidiaries (“Lian Yang Group”) are principally engaged in the development of big data mining, modelling and analysis in general, and the provision of digital risk management services in retail financial services in particular.

The acquisition of Lian Yang Group was completed on 31 December 2019 and is classified as “interests in associates” and Lian Yang Group is accounted for using the equity method of accounting in the consolidated financial statements of the Group. In the first six months of 2020, Lian Yang Group significantly expanded its customer reach among PRC banks, licensed consumer finance companies as well as top-tier internet finance companies. Lian Yang Group, leveraging the authorized access to and utilization of massive canonical data and beefing up its human capital successfully, completed commercialization of products in the field of consumer finance services and started providing digital risk management services to Chinese financial institutions. During the six months ended 30 June 2020, the Group’s share of loss of Lian Yang Group amounted to approximately HK\$4,680,000 (2019: Nil).

BUSINESS REVIEW *(Continued)*

Coatings Business

During the six months ended 30 June 2020, due to the temporary suspension of the production for the coatings business after the outbreak of COVID-19 in early 2020 and the continued tension in Sino-US relations, revenue for the coatings business decreased to approximately HK\$133,130,000 (2019: HK\$190,576,000). This represented a decrease of approximately 30.1% compared with that for the previous year. With the tighten cost controls over operating costs and expenses, the segment profit for the coatings business remained stable at approximately HK\$13,376,000 (2019: HK\$9,745,000) for the six months ended 30 June 2020.

During the six months ended 30 June 2020, the Group's share of profit of CMW Holding Limited, an associate of the Company, amounted to approximately HK\$8,643,000 (2019: share of loss of approximately HK\$7,000) due to termination of certain loss-making business.

In view of the uncertainties created by the US-China trade war, the Group is setting up a new manufacturing plant in Vietnam to diversify the production base of the Group and mitigate the adverse effect of local policies and regulations. The Company has established an indirect wholly-owned subsidiary, Manfield Coatings Vietnam Company Limited ("Manfield Vietnam") for such purpose. Manfield Vietnam was established on 15 November 2019 and the total amount of investment for the project is expected to be VND149,986 million (equivalent to approximately HK\$50.5 million). In early 2020, the Group started the construction of the manufacturing plant in Vietnam, which is expected to complete by the end of 2020. As at 30 June 2020, the Group's actual investment in Vietnam project amounted to approximately HK\$23.8 million.

Overall Performance

For the six months ended 30 June 2020, the gross profit and gross profit margin of the Group increased to approximately HK\$86,479,000 (2019: HK\$26,757,000) and approximately 23.8% (2019: 14.0%) respectively mainly due to the new business segment of third-party payment services, in the second half of 2019, which has a higher gross profit margin than the business segment of coatings. The increase in gross profit for the six months ended 30 June 2020 was outweighed by (i) loss on fair value change of contingent consideration payable and (ii) the increase in corporate expenses and finance costs and thus the overall performance of the Group deteriorated.

Administrative expenses of the Group increased to approximately HK\$73,222,000 (2019: HK\$44,855,000) for the six months ended 30 June 2020. The increase was mainly attributable to (i) an increase in total staff costs due to an increase in head count of the Group from the new business segment of third-party payment services in 2020; and (ii) an increase in depreciation of property, plant and equipment and right-of-use assets.

BUSINESS REVIEW *(Continued)*

Overall Performance *(Continued)*

Distribution and selling expenses and finance costs of the Group increased, to approximately HK\$22,718,000 (2019: HK\$17,969,000) and approximately HK\$26,346,000 (2019: HK\$142,000), respectively, mainly due to the consolidation of the financial results from the new business segment of third-party payment services in 2020 and an increase in borrowings of the Group.

Others

Although the arbitration application to Shanghai International Economic and Trade Arbitration Commission in relation to the intended exercise of its right to dispose of 40% equity interest in Manfield Teknos (Changzhou) Chemical Company Limited is still in process, such arbitration has no significant impact on the Group's operation, financial position and solvency and the operation conditions of the Group remain normal.

On 22 April 2020 and 14 May 2020, the Company entered into a subscription agreement and a supplemental agreement with the subscriber, being an independent third party to the Group, pursuant to which the subscriber conditionally agreed to subscribe for and the Company conditionally agreed to issue a total of 14,288,000 new ordinary shares at a price of HK\$3.50 per subscription share (the "Subscription"). On 13 May 2020 and 22 May 2020, an aggregate of 14,288,000 shares were allotted and issued by the Company to the subscriber at the subscription price of HK\$3.50 per share paid in cash. The net subscription price was approximately HK\$3.49 per share. The closing prices of the Company's share on 22 April 2020 and 14 May 2020 were HK\$3.49 and HK\$3.48 per share respectively. The gross proceeds raised were approximately HK\$50.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK\$49.8 million, which are intended to be used for the Group's development of new business (such as marketing and client development, amongst others) and general working capital purposes (such as overhead, inventory and debt management, amongst others). Details of the subscription of new shares under general mandate were disclosed in the Company's announcements dated 22 April 2020 and 14 May 2020. As at the date of this interim report, all proceeds from the Subscription have been utilised as intended.

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 2020 are set out as follows:

Use	Revised allocation HK\$ million	Utilisation as at 30 June 2020 HK\$ million	Remaining balance 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	9.4	23.7
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
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	11.9	1.2
Purchase of additional machinery and equipment, and other costs for Vietnam production	9.5	0.8	8.7
General working capital of Vietnam operation	22.5	5.7	16.8
	119.9	68.1	51.8

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.

* for identification purposes only

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

As at 30 June 2020, the Group's non-current assets of approximately HK\$2,187,023,000 (31 December 2019: HK\$2,326,854,000) consisted of property, plant and equipment of approximately HK\$92,593,000 (31 December 2019: HK\$99,368,000), right-of-use assets of approximately HK\$60,875,000 (31 December 2019: HK\$70,051,000), intangible assets of approximately HK\$1,765,856,000 (31 December 2019: HK\$1,827,270,000), interests in associates of HK\$263,013,000 (31 December 2019: HK\$325,586,000), financial assets at fair value through profit or loss of approximately HK\$498,000 (31 December 2019: HK\$511,000), deferred tax assets of approximately HK\$1,613,000 (31 December 2019: HK\$1,440,000) and deposits paid in respect of right-of-use assets of approximately HK\$2,575,000 (31 December 2019: HK\$2,628,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 30 June 2020, the Group's net current assets amounted to approximately HK\$625,283,000 (31 December 2019: HK\$560,285,000).

As at 30 June 2020, the Group had total indebtedness of approximately HK\$692,555,000 (31 December 2019: HK\$589,127,000) which comprised borrowings, promissory notes payable and lease liabilities of approximately HK\$500,000,000 (31 December 2019: HK\$550,234,000), HK\$170,229,000 (31 December 2019: HK\$9,391,000) and HK\$22,326,000 (31 December 2019: HK\$29,502,000), respectively.

As at 30 June 2020, all the borrowings of the Group were denominated in Hong Kong dollars. As at 31 December 2019, all the borrowings of the Group, except for an equivalent amount of approximately HK\$50,234,000 which was denominated in Renminbi, were denominated in Hong Kong dollars. As at 30 June 2020, other borrowing of HK\$500,000,000 (31 December 2019: HK\$500,000,000) and no bank borrowing (31 December 2019: bank borrowings of approximately HK\$50,234,000) bear fixed interest rates and floating interest rates, respectively. This other borrowing is non-recourse to the Company but is secured by charges over assets of the Company. As at 30 June 2020, the promissory notes payable bear interest from 0.25% to 1.25% (31 December 2019: 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 2020, out of the total borrowings, no borrowing (31 December 2019: HK\$50,234,000) was repayable within one year and HK\$500,000,000 (31 December 2019: HK\$500,000,000) was repayable after one year. As at 30 June 2020, the outstanding principal amount of the promissory notes was approximately HK\$170,229,000 (31 December 2019: HK\$9,391,000).

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

As at 30 June 2020, the gearing ratio of the Group was approximately 39.1% (31 December 2019: 32.9%), calculated by dividing total debts (which debt represents the sum of borrowings, promissory notes payable 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, by total equity) of the Group was approximately 6.5% as at 30 June 2020 (31 December 2019: not applicable due to net cash position). The current ratio, calculated by dividing current assets by current liabilities, as at 30 June 2020 was approximately 2.3 times (31 December 2019: approximately 1.6 times).

As at 30 June 2020, 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 2020, the Group had capital commitments contracted for but not provided — acquisition of property, plant and equipment of approximately HK\$18,653,000 (31 December 2019: HK\$11,048,000) and other commitments contracted for but not provided — proposed purchase of land of approximately HK\$6,384,000 (31 December 2019: HK\$6,556,000).

As at 30 June 2020 and 31 December 2019, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group had 824 (31 December 2019: 769) employees as at 30 June 2020. 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 2020, 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

2020 has been a challenging year globally due to COVID-19 epidemic, while global economic contraction and escalating Sino-US tensions have posed and may continue posing adverse impact to the PRC economy, the target market of the Group's new economy business. The Group will keep monitoring the development of COVID-19 and assessing the impact of the pandemic on the Group's financial position and operating results. Despite the macro economic challenges, the Group has made substantive progress in its big data analytics business, and maintained stability its other operations.

Going forward, the Group will continue developing and growing the businesses of new economy. In addition to further expanding its digital risk management services for consumer finance applications, the Group is in preparation of addressing the enormous demand for effective recovery of non-performing consumer loans via big data analytics technologies. The Group is also working on cybersecurity applications with focus on "anti-fraud" etc. The Group believes that the big data analytics business will create very substantial value to the Company's shareholders over the time.

DISCLOSURE OF OTHER INFORMATION

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2020, the interests and short positions 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:

Long positions in the shares of the Company

Name of Director	Number of ordinary shares				Total	Percentage of interest
	Personal interests	Family interests	Corporate interests	Other interests		
Dr. Li Zhong Yuan	-	-	427,860,000 (Note i)	-	427,860,000	63.16%
Ms. Liu Rong Rong	2,456,000	-	-	-	2,456,000	0.36%

Note:

- (i) Dr. Li Zhong Yuan is legally interested in 49% and beneficially interested in 19.0476% of the entire issued share capital of Timenew Limited, a substantial shareholder of the Company, which is interested in 427,860,000 issued ordinary shares of the Company. Dr. Li Zhong Yuan is therefore deemed to have a corporate interest of 63.16% of the Company.

Save as disclosed above, as at 30 June 2020, 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 the share award scheme on 9 January 2020 (the “Share Award Scheme”) with the major terms and details summarise 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2020 and up to the date of this interim report, no awarded shares were granted under the Share Award 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 2020, the following parties had interests or short positions in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in the shares of the Company

Name	Type of interest	Capacity/ Nature	Number of Shares held/ interested	Percentage of interest
Timenew Limited (<i>Note 1</i>)	Long position	Beneficial owner	427,860,000	63.16%
Mr. Li Xiao Ru (<i>Note 1</i>)	Long position	Interest of a controlled corporation	427,860,000	63.16%
Dr. Li Zhong Yuan (<i>Note 1</i>)	Long position	Interest of a controlled corporation	427,860,000	63.16%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS *(Continued)*

Long positions in the shares of the Company *(Continued)*

Notes:

- (1) Timenew Limited is legally owned as to 51% and 49% by Mr. Li Xiao Ru and Dr. Li Zhong Yuan respectively. Each of Mr. Li Xiao Ru and Dr. Li Zhong Yuan is therefore deemed to be interested in the 427,860,000 Shares held by Timenew Limited under the SFO.
- (2) As of 30 June 2020, the Company's total number of issued shares was 677,376,770.

Save as disclosed above, as at 30 June 2020, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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

On 13 May 2020 and 22 May 2020, an aggregate of 14,288,000 new ordinary shares have been allotted and issued by the Company to subscribers, being a third parties independent of the Group, at the subscription price of HK\$3.50 per share. The aggregate gross proceeds raised are approximately HK\$50.0 million, and the net proceeds, after deduction of all relevant expenses, are approximately HK\$49.8 million, which are intended to be used for the Group's development of new business (such as marketing and client development, amongst others) and general working capital purposes (such as overhead, inventory and debt management, amongst others).

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 2020.

CHANGE IN INFORMATION OF DIRECTORS

There is no change in Directors' information since 1 January 2020, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2020, save for the code provision A.2.1 of the CG Code as described below.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

CG Code A.2.1

The code provision A.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”. Dr. Li Zhong Yuan has been appointed as the Chairman of the Board 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.

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 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

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 2020.

By Order of the Board

Pan Asia Data Holdings Inc.

Li Zhong Yuan

Chairman

Hong Kong, 31 August 2020

INDEPENDENT REVIEW REPORT



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 interim financial information of Pan Asia Data Holdings Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 21 to 46, which comprises the condensed consolidated statement of financial position as at 30 June 2020 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 condensed consolidated 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 this condensed consolidated interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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” issued by the HKICPA. A review of condensed consolidated interim financial information 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 interim financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 31 August 2020

Gao Yajun

Practising certificate number P06391

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Notes		
Revenue	3	363,744	190,576
Cost of sales and services		(277,265)	(163,819)
Gross profit		86,479	26,757
Other income		17,617	11,549
Other gains and losses		(2,097)	84
Reversal of impairment losses under expected credit loss model		347	225
Distribution and selling expenses		(22,718)	(17,969)
Administrative expenses		(73,222)	(44,855)
Finance costs	4	(26,346)	(142)
Share of results of associates		3,963	(7)
Loss before taxation	5	(15,977)	(24,358)
Income tax (expense)/credit	6	(3,774)	881
Loss for the period		(19,751)	(23,477)
(Loss)/profit for the period attributable to:			
Owners of the Company		(36,172)	(22,313)
Non-controlling interests		16,421	(1,164)
		(19,751)	(23,477)
Loss per share			
— Basic and diluted	7	(HK5.42 cents)	(HK3.72 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(19,751)	(23,477)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(46,123)	(481)
Share of other comprehensive expense of associates	(2,557)	(553)
Other comprehensive expense for the period	(48,680)	(1,034)
Total comprehensive expense for the period	(68,431)	(24,511)
Total comprehensive expense attributable to:		
Owners of the Company	(58,115)	(23,327)
Non-controlling interests	(10,316)	(1,184)
	(68,431)	(24,511)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	<i>Notes</i>	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	92,593	99,368
Right-of-use assets		60,875	70,051
Intangible assets	10	1,765,856	1,827,270
Interests in associates	11	263,013	325,586
Financial assets at fair value through profit or loss		498	511
Deferred tax assets		1,613	1,440
Deposits paid in respect of right-of-use assets		2,575	2,628
		2,187,023	2,326,854
Current assets			
Inventories		25,327	45,731
Trade and other receivables	12	497,676	555,882
Tax recoverable		655	23
Restricted bank deposits	13	342,496	424,285
Bank balances and cash		234,559	420,058
		1,100,713	1,445,979
Current liabilities			
Trade and other payables	14	455,407	801,288
Lease liabilities		7,976	9,250
Borrowings	15	–	50,234
Promissory notes payable	16	–	9,391
Tax payable		12,047	15,531
		475,430	885,694
Net current assets		625,283	560,285
Total assets less current liabilities		2,812,306	2,887,139

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2020

		As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		354,282	369,032
Borrowings	15	500,000	500,000
Promissory notes payable	16	170,229	–
Lease liabilities		14,350	20,252
Contingent consideration payable		–	205,846
		1,038,861	1,095,130
Net assets		1,773,445	1,792,009
Capital and reserves			
Share capital	17	6,774	6,631
Reserves		740,363	748,754
Equity attributable to owners of the Company		747,137	755,385
Non-controlling interests		1,026,308	1,036,624
Total equity		1,773,445	1,792,009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Shareholders' contribution/distribution		Translation reserve HK\$'000	Other reserve HK\$'000 (note c)	Non-distributable reserve HK\$'000 (note d)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
			Special reserve HK\$'000 (note a)	reserve HK\$'000 (note b)							
At 1 January 2019 (audited)	6,000	130,806	32,000	(274)	4,522	4,571	13,133	410,892	601,660	12,330	613,980
Loss for the period	-	-	-	-	-	-	-	(22,313)	(22,313)	(1,164)	(23,477)
Other comprehensive expense											
Exchange differences arising on translation of foreign operations	-	-	-	-	(461)	-	-	-	(461)	(20)	(481)
Share of other comprehensive expense of associates	-	-	-	-	(553)	-	-	-	(553)	-	(553)
Other comprehensive expense for the period	-	-	-	-	(1,014)	-	-	-	(1,014)	(20)	(1,034)
Total comprehensive expense for the period	-	-	-	-	(1,014)	-	-	(22,313)	(23,327)	(1,184)	(24,511)
At 30 June 2019 (unaudited)	6,000	130,806	32,000	(274)	3,508	4,571	13,133	388,579	578,323	11,146	589,469
At 1 January 2020 (audited)	6,631	325,379	32,000	(274)	(13,638)	4,571	16,283	384,433	755,385	1,036,624	1,792,009
(Loss)/profit for the period	-	-	-	-	-	-	-	(36,172)	(36,172)	16,421	(19,751)
Other comprehensive expense											
Exchange differences arising on translation of foreign operations	-	-	-	-	(19,386)	-	-	-	(19,386)	(26,737)	(46,123)
Share of other comprehensive expense of associates	-	-	-	-	(2,557)	-	-	-	(2,557)	-	(2,557)
Other comprehensive expense for the period	-	-	-	-	(21,943)	-	-	-	(21,943)	(26,737)	(48,680)
Total comprehensive expense for the period	-	-	-	-	(21,943)	-	-	(36,172)	(58,115)	(10,316)	(68,431)
Issue of shares (Note 17)	143	49,724	-	-	-	-	-	-	49,867	-	49,867
At 30 June 2020 (unaudited)	6,774	375,103	32,000	(274)	(35,581)	4,571	16,283	348,261	747,137	1,026,308	1,773,445

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 2020 and 2019 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 the partial disposal of a subsidiary in previous years.
- 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 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(160,157)	(1,656)
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment	(4,254)	(3,637)
Payments for purchases of intangible assets	(92)	–
Dividends received from an associate	63,979	–
Interest received	5,789	779
Deposits paid for acquisitions of businesses	–	(41,000)
Deposits paid for purchases of property, plant and equipment	–	(11,400)
Proceeds from disposal of property, plant and equipment	524	18
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	65,946	(55,240)
FINANCING ACTIVITIES		
Interest paid	(18,481)	–
Repayments of bank borrowing	(50,234)	–
Repayments of lease liabilities	(5,416)	(941)
Repayments of promissory notes payable	(59,933)	–
Net proceeds from issue of shares	49,867	–
NET CASH USED IN FINANCING ACTIVITIES	(84,197)	(941)
DECREASE IN CASH AND CASH EQUIVALENTS	(178,408)	(57,837)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	420,058	180,246
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(7,091)	(243)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	234,559	122,166

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 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 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

The condensed consolidated financial statements are unaudited, but have been reviewed by Baker Tilly Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time. They are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial position 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 manufacturing and trading of liquid coatings and powder coatings and has commenced a business engaging in third-party payment services since the acquisition of Mao Hong Information Technology Holding Limited ("Mao Hong") on 9 August 2019. It is considered as a new operating and reportable segment by the Group's chief operating decision maker and resulted in changes to the composition of its reportable segments as follows:

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

Prior period segment disclosures have been re-presented to conform with the current period's presentation.

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 2020 (unaudited)

	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
REVENUE			
Provision of third-party payment services			
— Commission income	193,195	—	193,195
— Fintech enabling service income	32,781	—	32,781
— Others	4,638	—	4,638
Sale of goods			
— Liquid coatings	—	120,790	120,790
— Powder coatings	—	12,340	12,340
External revenue	230,614	133,130	363,744
RESULTS			
Segment profits	39,398	13,376	52,774
Interest income			5,789
Unallocated corporate income			3,266
Unallocated corporate expenses			(47,376)
Unallocated corporate other gains and losses			(8,047)
Finance costs			(26,346)
Share of results of associates			3,963
Loss before taxation			(15,977)
Income tax expense			(3,774)
Loss for the period			(19,751)

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 2019 (unaudited)

	Third-party payment services HK\$'000 (Re-presented)	Coatings HK\$'000 (Re-presented)	Total HK\$'000 (Re-presented)
REVENUE			
Provision of third-party payment services			
– Commission income	–	–	–
– Fintech enabling service income	–	–	–
– Others	–	–	–
Sale of goods			
– Liquid coatings	–	177,616	177,616
– Powder coatings	–	12,960	12,960
External revenue	–	190,576	190,576
RESULTS			
Segment profits	–	9,745	9,745
Interest income			779
Unallocated corporate income			4,629
Unallocated corporate expenses			(39,378)
Unallocated corporate other gains and losses			16
Finance costs			(142)
Share of results of associates			(7)
Loss before taxation			(24,358)
Income tax credit			881
Loss for the period			(23,477)

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

Segment profits 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, net loss/gain on disposal of property, plant and equipment, central administration cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, loss on fair value change of contingent consideration payable, 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 2020 (unaudited)

	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
ASSETS			
Segment assets	2,587,383	412,400	2,999,783
Unallocated assets			287,953
			<u>3,287,736</u>
LIABILITIES			
Segment liabilities	432,729	550,881	983,610
Unallocated liabilities			530,681
			<u>1,514,291</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 2019 (audited)

	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
ASSETS			
Segment assets	2,926,112	507,513	3,433,625
Unallocated assets			339,208
			<hr/> 3,772,833
LIABILITIES			
Segment liabilities	764,155	577,650	1,341,805
Unallocated liabilities			639,019
			<hr/> 1,980,824

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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowing and other borrowing	18,881	–
Interest on lease liabilities	689	142
Imputed interest on promissory notes payable (Note 16)	6,776	–
	26,346	142

5. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Amortisation of intangible assets	22,876	–
Loss on fair value change of contingent consideration payable	8,149	–
Depreciation of property, plant and equipment	7,897	6,962
Depreciation of right-of-use assets	5,538	1,259
Donation	1,206	990
Loss/(gain) on disposal of property, plant and equipment	37	(16)
Expense relating to short-term leases	595	206
Interest income	(5,789)	(779)
Net exchange (gain)/loss	(1,729)	277

6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax:		
Current period	165	372
Over-provision in prior years	(831)	-
	(666)	372
PRC Enterprise Income Tax:		
Current period	9,397	-
Over-provision in prior years	-	(1,253)
	9,397	(1,253)
Deferred tax	(4,957)	-
Taxation expense/(credit)	3,774	(881)

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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(36,172)	(22,313)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	666,794	600,000

No diluted loss per share for both periods is presented as there were no potential ordinary shares in issue for both periods.

8. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, total additions to property, plant and equipment were approximately HK\$4,254,000 (six months ended 30 June 2019: HK\$3,637,000) which mainly represented additions to leasehold improvements and construction in progress of approximately HK\$3,384,000 (six months ended 30 June 2019: HK\$1,465,000), furniture, fixtures and office equipment of approximately HK\$221,000 (six months ended 30 June 2019: HK\$59,000), motor vehicles of approximately HK\$372,000 (six months ended 30 June 2019: HK\$782,000), and plant, machinery and equipment of approximately HK\$277,000 (six months ended 30 June 2019: HK\$1,331,000).

In addition, during the six months ended 30 June 2020, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$561,000 (six months ended 30 June 2019: HK\$2,000) for cash proceeds of approximately HK\$524,000 (six months ended 30 June 2019: HK\$18,000), resulting in a loss on disposal of approximately HK\$37,000 (six months ended 30 June 2019: gain on disposal of HK\$16,000).

10. MOVEMENTS IN INTANGIBLE ASSETS

During the six months ended 30 June 2020, total additions to intangible assets were approximately HK\$92,000 (six months ended 30 June 2019: Nil) which mainly represented additions to computer software.

11. INTERESTS IN ASSOCIATES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Cost of investments in associates, unlisted	142,932	142,932
Accumulated share of post-acquisition profits and other comprehensive income, net of dividends received	120,081	182,654
	263,013	325,586

As at 30 June 2020, the costs of investments in associates included goodwill of associates of approximately HK\$126,156,000 (31 December 2019: HK\$126,156,000).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade receivables	197,057	192,490
Bills receivables	6,497	14,977
Less: Impairment losses on trade receivables	(8,501)	(6,274)
Total trade and bills receivables	195,053	201,193
Other receivables, deposits and prepayments		
— Trade deposits paid to merchants	143,710	31,324
— Receivable from the clearing houses for third-party payment services	84,528	299,382
— Other receivables and prepayments	74,385	23,983
Total trade and other receivables	497,676	555,882

Trade and bills receivables are due within 180 days from the date of billing. 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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
0–30 days	28,762	109,220
31–60 days	22,617	25,603
61–90 days	18,518	24,878
Over 90 days	125,156	41,492
	195,053	201,193

As at 30 June 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$92,186,000 (2019: HK\$67,215,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$66,461,000 (2019: HK\$8,358,000) 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 2020, 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\$13,629,000 (unaudited) (31 December 2019: HK\$18,714,000) and approximately HK\$1,430,000 (unaudited) (31 December 2019: HK\$2,642,000) respectively.

12. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 30 June 2020, included in other receivables, there were amounts due from a subsidiary of an associate and an associate of approximately HK\$3,413,000 (unaudited) (31 December 2019: HK\$2,830,000) and approximately HK\$6,639,000 (unaudited) (31 December 2019: HK\$1,605,000) respectively. These amounts are unsecured, interest-free and repayable on demand.

13. RESTRICTED BANK DEPOSITS

Restricted bank deposits comprises:

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 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>	328,564	409,167
Maintained for merchants as performance guarantee deposits	10,436	12,090
Maintained as reserve deposits to secure the Group's use of online business to business payment platforms provided by the banks	2,400	1,905
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government	1,096	1,123
	342,496	424,285

Note: These restricted deposits are maintained to fulfill the requirements as per announcement of the People's Bank of China (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 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Trade payables	34,269	49,254
Bills payables	–	1,692
Total trade and bills payables	34,269	50,946
Accrued staff cost	10,016	14,498
Payables to merchants	155,134	406,045
Unutilised float funds (<i>Note</i>)	204,192	247,857
Other payables and accruals	51,796	81,942
	455,407	801,288

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

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
0–30 days	16,002	33,993
31–60 days	3,106	7,158
61–90 days	755	1,560
Over 90 days	14,406	8,235
	34,269	50,946

As at 30 June 2020, included in trade payables, there were trade payables due to a subsidiary of an associate of approximately HK\$23,000 (unaudited) (31 December 2019: HK\$335,000).

14. TRADE AND OTHER PAYABLES *(Continued)*

As at 31 December 2019, included in other payables, there was an amount due to an associate of approximately HK\$45,364,000. The amount is unsecured, interest-free and repayable on demand.

15. BORROWINGS

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Secured		
— Bank borrowing <i>(Note (i))</i>	—	50,234
— Other borrowing <i>(Note (ii))</i>	500,000	500,000
	500,000	550,234
Less: Amount due for settlement within 12 months shown under current liabilities	—	(50,234)
Amount due for settlement after one year shown under non-current liabilities	500,000	500,000

Notes:

- (i) As at 31 December 2019, the Group had variable-rate bank borrowing of RMB45,000,000 (equivalent to approximately HK\$50,234,000), which was denominated in Renminbi and carried an interest rate of 136.85% of the base lending rate stipulated by People's Bank of China. The bank borrowing was secured by the personal guarantees and legal charges on properties held by non-controlling shareholder of the Company's subsidiary and the equity interest of a non-wholly-owned subsidiary of the Company.
- (ii) As at 30 June 2020 and 31 December 2019, the Group had fixed rate other borrowing of HK\$500,000,000, which carried an interest rate of 7% and is repayable on 28 November 2021 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.

16. PROMISSORY NOTES PAYABLE

	First Promissory Note HK\$'000	Second Promissory Note HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	–	–	–
Issuance of promissory note (<i>Note (i)</i>)	530,812	–	530,812
Imputed interest	9,179	–	9,179
Repayment of promissory note	(530,600)	–	(530,600)
At 31 December 2019 (audited) and 1 January 2020 (audited)	9,391	–	9,391
Issuance of promissory note (<i>Note (ii)</i>)	–	213,995	213,995
Imputed interest (<i>Note 4</i>)	542	6,234	6,776
Repayment of promissory note	(9,933)	(50,000)	(59,933)
At 30 June 2020 (unaudited)	–	170,229	170,229

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	–	9,391
Non-current liabilities	170,229	–
	170,229	9,391

Notes:

- (i) On 9 August 2019, the Group issued promissory notes with the principal amounts of HK\$540,000,000, interest-bearing at rates from 0.25% to 1.25% per annum depending on the repayment date and will mature on 8 August 2021 (the “First Promissory Note”) as part of the consideration to acquire a 51% equity interest in Mao Hong.
- (ii) On 27 February 2020, the Group issued promissory notes 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 and will mature on 26 February 2022 (the “Second Promissory Note”) as part of the consideration to acquire a 51% equity interest in Mao Hong.

17. SHARE CAPITAL

	2020		2019	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January 2019 (audited), 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	10,000,000,000	100,000	10,000,000,000	100,000
Issued:				
At 1 January (audited)	663,088,770	6,631	600,000,000	6,000
Issue of shares under subscription agreements (Note (i) and (iii))	14,288,000	143	45,614,035	456
Issue of shares for acquisition of an associate (Note (ii))	-	-	17,474,735	175
At 30 June (unaudited)/ 31 December (audited)	677,376,770	6,774	663,088,770	6,631

Notes:

- (i) On 17 July 2019, the Company issued 45,614,035 new ordinary shares of HK\$0.01 each at the issue price of HK\$2.85 per share payable in cash under subscription agreements dated 25 June 2019 and the gross proceeds from such issues amounted to HK\$130,000,000. After deducting related expenses, an amount of approximately HK\$128,694,000 in excess of par value was credited to share premium.
- (ii) On 31 December 2019, the Company issued 17,474,735 new ordinary shares of HK\$0.01 each, as consideration for the acquisition of an associate. The closing market price of the Company's shares as at 31 December 2019 as quoted on the Stock Exchange was HK\$3.78. After deducting related expenses, an amount of approximately HK\$65,879,000 in excess of par value was credited to share premium.
- (iii) On 13 May 2020 and 22 May 2020, the Company issued a total of 14,288,000 new ordinary shares of HK\$0.01 each at the issue price of HK\$3.50 per share payable in cash under a subscription agreement dated 22 April 2020 and a supplemental agreement dated 14 May 2020 and the gross proceeds from such issues amounted to HK\$50,008,000. After deducting related expenses, an amount of approximately HK\$49,724,000 in excess of par value was credited to share premium.

18. COMMITMENTS

(a) Capital commitments

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	18,653	11,048

(b) Other commitments

	As at 30 June 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Proposed purchase of land contracted for but not provided in the condensed consolidated financial statements (<i>Note</i>)	6,384	6,556

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 RMB3,367,000 (equivalent to approximately HK\$3,843,000). Deposit of 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 during the six months ended 30 June 2020. The remaining balance of Parcel 1 of approximately RMB1,255,000 was included as commitment as at 30 June 2020 and 31 December 2019, equivalent to approximately HK\$1,364,000 and approximately HK\$1,401,000 respectively. The acquisition of Parcel 1 had not yet been completed up to 30 June 2020.

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 RMB6,579,000 (equivalent to approximately HK\$7,509,000). Deposit of RMB1,961,000 (equivalent to approximately HK\$2,340,000) was paid and the remaining balance of RMB4,618,000 was included as commitment as at 30 June 2020 and 31 December 2019, equivalent to approximately HK\$5,020,000 and approximately HK\$5,155,000 respectively. The purchase of the land had not yet been completed up to 30 June 2020.

19. 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	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Subsidiaries of an associate	Sales of goods	36,232	61,796
	Management fee income	2,827	3,794
	Rental income	1,632	835
	Transportation fee income	1,504	988
	Purchase of goods	1,603	4,226
	Royalty fee income	5,572	4,377
	Dividend received	63,979	–
A subsidiary of a non-controlling shareholder	Rental income	255	341
	Sales of goods	2,290	8,067
	Purchase of goods	200	264
A non-controlling shareholder	Purchase of goods	–	138
	Interest received	804	–

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	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term employee benefits	6,819	6,498
Post-employment benefits	18	5
	6,837	6,503

20. 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, 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 2020 (unaudited)	31 December 2019 (audited)			
Unlisted equity shares classified as financial assets at fair value through profit or loss	Unlisted equity shares, HK\$498,000	Unlisted equity shares, HK\$511,000	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
Contingent consideration payable		N/A	Liabilities, HK\$205,846,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate of 4.96%

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

There were no transfers between Levels 1 and 2, or transfers into or out of Level 3 during the six months ended 30 June 2020 (31 December 2019: 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.

As at 30 June 2020 and 31 December 2019, 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.

As at 31 December 2019, a 10% increase/decrease in the appropriate discount rate holding all other variables constant would decrease/increase the carrying amount of the contingent consideration payable by approximately HK\$2,250,000.

Reconciliation of Level 3 fair value measurement of financial assets and financial liabilities:

	HK\$'000
Unlisted equity shares classified as financial assets at fair value through profit or loss	
At 1 January 2019 (audited)	–
Acquisition of a subsidiary	520
Exchange adjustments	(9)
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At 31 December 2019 (audited) and 1 January 2020 (audited)	511
Exchange adjustments	(13)
	<hr/>
At 30 June 2020 (unaudited)	498
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20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurement of financial assets and financial liabilities: *(Continued)*

	HK\$'000
Contingent consideration payable	
At 1 January 2019 (audited)	–
Acquisition of a subsidiary	195,820
Loss of fair value change	10,026
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At 31 December 2019 (audited) and 1 January 2020 (audited)	205,846
Loss of fair value change (Note 5)	8,149
Issuance of promissory note (Note 16)	(213,995)
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At 30 June 2020 (unaudited)	–
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The management of the Group considers that the carrying amounts of its financial assets and financial liabilities recorded at cost or amortised cost in the condensed consolidated financial statement approximately their fair values as at 30 June 2020 and 31 December 2019.