



联洋智能

PAD

Pan Asia Data Holdings Inc.

聯洋智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1561

Interim Report

2021

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Disclosure of Other Information	13
Condensed Consolidated Statement of Profit or Loss	23
Condensed Consolidated Statement of Comprehensive Income	24
Condensed Consolidated Statement of Financial Position	25
Condensed Consolidated Statement of Changes in Equity	27
Condensed Consolidated Statement of Cash Flows	28
Notes to the Condensed Consolidated Financial Statements	29

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gu Zhongli (*Chairman*)
Ms. Liu Rong Rong
Mr. Charles Simon
Mr. Jin Peiyi

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*)
Mr. Gu Zhongli
Mr. Wang Jianping

REMUNERATION COMMITTEE

Mr. Wang Jianping (*Chairman*)
Mr. Gu Zhongli
Mr. Li Gong

COMPANY SECRETARY

Mr. Wong Ying Kit

AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISERS

As to Hong Kong law

David Norman & Co.
Robertsons

As to PRC law

Beijing 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

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STOCK CODE

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WEBSITE

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MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND FINANCIAL OVERVIEW

Pan Asia Data Holdings Inc. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) had a consolidated revenue of approximately HK\$212,940,000 (2020: HK\$363,744,000) for the six months ended 30 June 2021. This represented a decrease of approximately 41.5% compared with that for the previous year mainly due to significant decreases in the business activities of the Group’s third-party payment services segment (“Third-Party Payment Services Segment”).

The Group generated revenue from provision of big data services of approximately HK\$18,218,000 (2020: Nil), third-party payment services of approximately HK\$3,254,000 (2020: HK\$230,614,000) and manufacturing and trading of coatings of approximately HK\$191,468,000 (2020: HK\$133,130,000) for the six months ended 30 June 2021.

Loss attributable to owners of the Company for the six months ended 30 June 2021 increased to approximately HK\$159,363,000 (2020: HK\$36,172,000), mainly attributable to (i) substantial impairment losses on the Group’s intangible assets and (ii) an increase in corporate expenses.

Loss per share for the six months ended 30 June 2021 was approximately HK23.15 cents (2020: HK5.42 cents).

The Group’s net asset value attributable to owners of the Company per share as at 30 June 2021 was HK\$0.3 (31 December 2020: HK\$0.3).

INTERIM DIVIDEND

The Board of directors (the “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 2021 (2020: Nil).

BUSINESS REVIEW

Big Data Business

Lian Yang Guo Rong Holdings Limited (“LYGR”), a subsidiary of the Company, and its subsidiaries (“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 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 and uniquely authorized and compliant access and utilization rights to the canonical database for providing enterprise services with fintech applications.

On 11 February 2021, the Company entered into a share purchase agreement with Lian Yang Investment Limited (“Lian Yang Investment”) (as the vendor), Shanghai Bai Pai Digital Science and Technology LLP* (上海百派數字科技合夥企業(有限合夥)) and Shanghai Pu En Network Science and Technology LLP* (上海普恩網路科技合夥企業(有限合夥)) (collectively, the guarantors) and LYGR. Under that agreement, Lian Yang Investment agreed as beneficial owners to sell, and the Company agreed to purchase, 7,172 shares of LYGR at consideration which shall be satisfied by the allotment and issue of 69,106,895 new ordinary shares by the Company to Lian Yang Investment at the issue price of HK\$1.35 per share.

This acquisition of a controlling interest in LYGR Group was completed on 2 June 2021 (the “Completion Date”) and it is classified as investment in subsidiaries. During the six months ended 30 June 2021, LYGR Group significantly expanded its customer reach among PRC banks and licensed consumer finance companies as well as top-tier internet finance companies. LYGR 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. The Big Data Services Segment contributed revenue of approximately HK\$18,218,000 (2020: Nil) and segment profit of approximately HK\$8,077,000 (2020: Nil) to the Group from the Completion Date to 30 June 2021.

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.

* English translation of name is for identification purpose only

BUSINESS REVIEW *(Continued)*

Third-Party Payment Services Business *(Continued)*

The Third-Party Payment Services Segment contributed revenue of approximately HK\$3,254,000 (2020: HK\$230,614,000), which represented a decrease of approximately 98.6%, and segment loss of approximately HK\$657,993,000 (2020: segment profit of approximately HK\$39,398,000) to the Group for the six months ended 30 June 2021.

During the six months ended 30 June 2021, there was a significant decrease in the business activities of the Group's Third-Party Payment Services Segment. The third-party payment transaction volume processed for the six months ended 30 June 2021 decreased by approximately 99% as compared to that of the corresponding period in 2020. The significant decrease in business activities had happened since the second half of 2020 due to (i) the sharply increased scrutiny and much more stringent rule enforcement by the regulatory authorities, (ii) the intensifying competition among industry participants and (iii) an already highly polarized marketplace to be worsened by the imminent entry of foreign multinational players. The Group had initiated business transformation and tried to materialize new products and acquire new customers for this business segment, but the result in the first half of 2021 was not satisfactory.

Days Services holds a licence issued by the People's Bank of China ("PBOC") authorising the provision of third-party payment services in the People's Republic of China (the "PRC") (the "Payment License") which expired on 28 August 2021. An application had been made for a 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 Days Services suitability to continue to be a licensee, and will resume the review process of the renewal afterwards. In the meantime, Days Services has obtained confirmation from the PBOC that Days Services is permitted to conduct its business as usual. The management of the Group concluded that there was indication for impairment and conducted impairment assessment on carrying amounts of certain cash-generating units within the third-party payment services segment. Based on the result of the assessment, the Group recognised impairment loss of approximately HK\$631,594,000 (2020: nil) on other intangible assets, for the six months ended 30 June 2021 under "impairment losses of other intangible assets".

Coatings Business

During the six months ended 30 June 2021, due to the recovery of the production for the coatings business after the outbreak of COVID-19 in early 2020, revenue for the coatings business increased to approximately HK\$191,468,000 (2020: HK\$133,130,000). This represented an increase of approximately 43.8% compared with that for the previous year. The segment profit for the coatings business increased to approximately HK\$20,448,000 (2020: HK\$13,376,000) for the six months ended 30 June 2021.

BUSINESS REVIEW *(Continued)*

Coatings Business *(Continued)*

During the six months ended 30 June 2021, the Group's share of profit of CMW Holding Limited, an associate of the Company, amounted to approximately HK\$18,499,000 (2020: HK\$3,963,000). Its profit improved after it terminated the production of certain products with low profit margins and shifted the production capacity to products with higher profit margins.

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 Group 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 at an exchange rate of HK\$1 to VND2,975). In early 2021, the Group started the trial run for the manufacturing plant in Vietnam. As at 30 June 2021, the Group's actual investment in Vietnam project amounted to approximately HK\$50.5 million.

Overall Performance

For the six months ended 30 June 2021, the consolidated gross profit of the Group decreased to approximately HK\$53,743,000 (2020: HK\$86,479,000) mainly due to the significant decreases in the business activities of the Group's Third-Party Payment Services Segment and the consolidated gross profit margin of the Group increased to approximately 25.2% (2020: 23.8%) mainly due to the recovery of the production for the coatings business after the outbreak of COVID-19 in early 2020.

Other gains of the Group amounted to approximately HK\$3,488,000 (2020: other losses of approximately HK\$2,097,000) for the six months ended 30 June 2021. This was primarily due to a gain on step acquisition of a subsidiary of approximately HK\$3,697,000.

Administrative expenses of the Group increased to approximately HK\$76,226,000 (2020: HK\$73,222,000) for the six months ended 30 June 2021. The increase was mainly attributable to an increase in total staff costs due to an increase in average head count of the Group from the new business segment of big data services in 2021; and an increase in depreciation of property, plant and equipment and right-of-use assets.

Distribution and selling expenses of the Group increased to approximately HK\$27,109,000 (2020: HK\$22,718,000) for the six months ended 30 June 2021, mainly due to an increase associated with generating the increased revenue of coatings business.

Finance costs of the Group decreased to approximately HK\$22,677,000 (2020: HK\$26,346,000) for the six months ended 30 June 2021, mainly due to the decrease in remaining balance of promissory notes.

BUSINESS REVIEW *(Continued)*

Overall Performance *(Continued)*

For the six months ended 30 June 2021, the Group recognised an income tax credit of approximately HK\$158,691,000 (2020: income tax expense of approximately HK\$3,774,000), which mainly represented a reversal of deferred tax liabilities in respect of fair value adjustments on intangible assets.

Others

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

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

Subsequent to the issue of the arbitral award, Teknos Group Oy sought to assert a claim that the Group is bound to repurchase the 40% equity interest owned by Teknos Group Oy for the sum of HK\$32,830,324 and sought to assert a set off against the payment it was ordered to pay to the Group. Based on the legal advice from its PRC counsel, the Group is of the view that Teknos Group Oy’s claims and assertions have no merits. The payment had not been received at 30 June 2021.

On 6 August 2021, the Company entered into six subscription agreements with certain subscribers, being independent third parties to the Group, pursuant to which the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue a total of 15,000,000 new ordinary shares at a price of HK\$2.00 per subscription share (the “Subscription”). On 27 August 2021, an aggregate of 15,000,000 shares were allotted and issued by the Company to the subscribers at the subscription price of HK\$2.00 per share paid in cash. The net subscription price was approximately HK\$1.99 per share. The closing price of the Company’s share on 27 August 2021 were HK\$2.19 per share. The gross proceeds raised were approximately HK\$30.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK\$29.9 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 announcement dated 6 August 2021. As at the date of this interim report, all proceeds from the Subscription have been utilised as intended.

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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 2021 are set out as follows:

Use	Revised allocation HK\$ million	Utilisation as at 30 June 2021 HK\$ million	Remaining balance after revised allocation HK\$ million	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	23.8	9.3	End of 2023
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	End of 2021
Repayment of a bank overdraft facility	20.0	20.0	–	
General working capital of the Group	2.9	2.9	–	
Long term lease for a piece of land in Vietnam	5.4	5.4	–	
Construction of Vietnam production facilities	13.1	13.1	–	
Purchase of additional machinery and equipment, and other costs for Vietnam production	9.5	9.5	–	
General working capital of Vietnam operation	22.5	22.5	–	
	119.9	109.2	10.7	

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

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

As at 30 June 2021, the Group's non-current assets of approximately HK\$799,353,000 (31 December 2020: HK\$1,104,740,000) consisted of property, plant and equipment of approximately HK\$155,557,000 (31 December 2020: HK\$134,082,000), right-of-use assets of approximately HK\$85,191,000 (31 December 2020: HK\$73,273,000), intangible assets of approximately HK\$375,232,000 (31 December 2020: HK\$626,681,000), interests in associates of approximately HK\$161,607,000 (31 December 2020: HK\$261,801,000), financial assets at fair value through profit or loss of approximately HK\$5,475,000 (31 December 2020: HK\$544,000), deferred tax assets of approximately HK\$13,038,000 (31 December 2020: HK\$5,460,000) and deposits paid for non-current assets of approximately HK\$3,253,000 (31 December 2020: HK\$2,899,000). These non-current assets are principally financed by the shareholders' funds and borrowings of the Group. As at 30 June 2021, the Group's net current liabilities amounted to approximately HK\$116,555,000 (31 December 2020: net current assets amounted to approximately HK\$75,361,000).

As at 30 June 2021, the Group had total indebtedness of approximately HK\$760,419,000 (31 December 2020: HK\$695,749,000) which comprised borrowings, promissory notes payable and lease liabilities of approximately HK\$550,864,000 (31 December 2020: HK\$500,000,000), HK\$166,131,000 (31 December 2020: HK\$163,579,000) and HK\$43,424,000 (31 December 2020: HK\$32,170,000), respectively.

As at 30 June 2021, all the borrowings of the Group, except for an amount equivalent to approximately HK\$12,189,000 which was denominated in Renminbi, were denominated in Hong Kong dollars. As at 31 December 2020, all the borrowings of the Group were denominated in Hong Kong dollars. As at 30 June 2021 and 31 December 2020, all other borrowings carried fixed interest rates. Other borrowing of HK\$500,000,000 (31 December 2020: HK\$500,000,000) is non-recourse to the Company but is secured by charges over assets of the Company. As at 30 June 2021, the promissory notes payable bear interest from 0.25% to 1.25% (31 December 2020: 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 2021, all borrowings were repayable within one year. As at 30 June 2021, the outstanding principal amount of the promissory notes payable was approximately HK\$165,467,000 (31 December 2020: HK\$165,467,000).

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

As at 30 June 2021, the gearing ratio of the Group was approximately 124.3% (31 December 2020: 82.7%), 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 40.8% (31 December 2020: 14.0%) as at 30 June 2021. The current ratio, calculated by dividing current assets by current liabilities, as at 30 June 2021 was approximately 0.9 times (31 December 2020: approximately 1.1 times).

As at 30 June 2021, 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 2021, the Group had capital commitments contracted for but not provided — acquisition of property, plant and equipment of approximately HK\$3,234,000 (31 December 2020: HK\$6,086,000) and other commitments contracted for but not provided — proposed purchase of land of approximately HK\$7,159,000 (31 December 2020: HK\$6,978,000).

As at 30 June 2021 and 31 December 2020, the Group did not have any material contingent liabilities.

EMPLOYEES

The Group had 850 (31 December 2020: 794) employees as at 30 June 2021. 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 2021, 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

2021 has continued to be a challenging year globally due to the COVID-19 epidemic, while escalating Sino-US tensions continue posing adverse impact to the ecosystem of the Group's operating environment. Despite the macro political and economic challenges, the Group has made substantial strides in its big data analytics business' growth; managed to enable substantive growth in its coating operation; and however, its third party payment business suffered significant decrease in its business activities due to substantially adverse regulatory paradigm and adverse impact from hyper competition in market place.

Going forward, the Group will continue developing and growing the businesses of big data analytics. Building upon its proven success of exponential growth, the Group is confident 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 2021, 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	Type of interest	Number of ordinary shares			Percentage of interest
		Personal interests	Corporate interests	Total	
Dr. Li Zhong Yuan (Note i)	Long position	–	427,860,000	427,860,000	57.32%
	Long position	248,000	–	248,000	0.03%
Ms. Liu Rong Rong	Long position	2,456,000	–	2,456,000	0.33%

Note:

- (i) Dr. Li Zhong Yuan resigned as a Director on 30 July 2021. At 30 June 2021 Dr. Li Zhong Yuan was legally interested in 49% and beneficially interested in 14.1965% 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 and is a special purpose vehicle holding ordinary shares of the Company. Dr. Li Zhong Yuan was therefore deemed to have a corporate interest of 57.32% of the Company. On 5 July 2021, Dr. Li Zhong Yuan ceased to hold a beneficial interest in Timenew Limited.

Save as disclosed above, as at 30 June 2021, none of the Directors, the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE AWARD SCHEME

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

1. Objective: The objectives of the Share Award Scheme are (i) to recognise the contributions by certain selected grantees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.
2. Duration: Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date (9 January 2020).
3. Scheme limit: The Board shall not make any award of awarded shares which will result in the nominal value of the share(s) in the Company (the “Shares”) awarded by the Board under the Share Award Scheme exceeding ten per cent. of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a selected grantee under the Share Award Scheme shall not exceed one per cent. of the issued share capital of the Company from time to time.
4. Operation: The Board may from time to time cause to be paid a contributed amount to the trust constituted by a trust deed dated 20 January 2020 by way of settlement or otherwise contributed by the Company or any subsidiary as directed by the Board which shall constitute part of the trust fund, for the purchase of Shares and other purposes set out in the Share Award Scheme rules and the trust deed.

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

SHARE AWARD SCHEME *(Continued)*

5. Restrictions: No award shall be made by the Board and no instructions to acquire any Shares shall be given to the trustee under the Share Award Scheme: (i) after inside information (as defined in the SFO) in relation to affairs or securities of the Company has arisen or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information is no longer inside information; (ii) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results; (iii) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or (iv) in any circumstance which is prohibited under the 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 2021 and up to the date of this interim report, no awarded shares were granted under the Share Award Scheme.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 30 June 2021 (the “Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

1. Purposes

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

2. Participants and determination of eligibility

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

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

3. Duration and Administration

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

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

SHARE OPTION SCHEME *(Continued)*

4. Grant of options

On and subject to the terms of the Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years from the Adoption Date to make any offer (subject to such conditions as the Board may think fit) to any participant as the Board may in its absolute discretion select to take up an option pursuant to which such participant may, during the option period, subscribe for such number of Shares as the Board may determine at the subscription price.

5. Subscription price

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

6. Maximum number of shares

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

SHARE OPTION SCHEME *(Continued)*

6. Maximum number of shares *(Continued)*

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

7. Maximum entitlement of each participant

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

8. Exercise of options

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

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

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

SHARE OPTION SCHEME (Continued)

8. Exercise of options (Continued)

On 27 July 2021, the Company granted 27,000,000 options to selected grantees (the "Grantees"), subject to their acceptance, to subscribe for an aggregate of 27,000,000 Shares at exercise price of HK\$2.056 per share under the Share Option Scheme. Among the 27,000,000 options granted, 9,620,000 options were granted to four Directors (7,400,000 Options were granted to Ms. Liu Rong Rong, an executive Director, and 740,000 Options were granted to each of Mr. Li Gong, Mr. Wang Jianping and Dr. Shi Ping, the independent non-executive Directors), 6,600,000 options and 780,000 options were granted to two employees of the Company respectively, and 5,000,000 options were granted to each of two consultants of the Company. The options were granted to the Grantees in recognition of their past contributions and services to the Company and for the purpose of retaining outstanding personnel of the Company.

The identity of each consultant and the reasons for making the grants are as follows:

Name of Grantee	Options granted	Relationship with the Company	Reason for granting
Mr. Wang, John Peter Ben ("Mr. Wang")	5,000,000	Financial consultant	Mr. Wang assisted the Company by providing financial advisory services to the Company.
K.B. Chau & Co. ("K.B. Chau")	5,000,000	Consultant for the Company's group structuring with business partners	K.B. Chau advised the Company in relation to its innovative structuring with business partners.

Save as disclosed above, during the six months ended 30 June 2021 and up to the date of this interim report, no other options were granted under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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	57.32%
Mr. Li Xiao Ru (<i>Note 1</i>)	Long position	Interest of a controlled corporation	427,860,000	57.32%
Dr. Li Zhong Yuan (<i>Note 1</i>)	Long position	Interest of a controlled corporation	427,860,000	57.32%
	Long position	Beneficial owner	248,000	0.03%

Notes:

- (1) As 30 June 2021, Timenew Limited was legally owned as to 51% and 49% by Mr. Li Xiao Ru and Dr. Li Zhong Yu respectively. Each of Mr. Li Xiao Ru and Dr. Li Zhong Yuan was therefore deemed to be interested in the 427,860,000 shares held by Timenew Limited under the SFO. On 5 July 2021, Dr. Li Zhong Yuan ceased to hold a beneficial interest in Timenew Limited and Timenew Limited (the holding of which was reduced to 367,118,714 Shares as at 5 July 2021) is wholly beneficially owned by Mr. Li Xiao Ru.
- (2) As of 30 June 2021, the Company's total number of issued shares was 746,483,665.

Save as disclosed above, as at 30 June 2021, there were no other parties who had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CHANGE IN INFORMATION OF DIRECTORS

The changes in the information of the Directors since 1 January 2021, 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 Directors	
Mr. Gu Zhongli	Appointed as an executive Director on 15 July 2021 and appointed as the chairman of Board, a member of the Nomination Committee and Remuneration Committee of the Board and an authorized representative on 30 July 2021
Mr. Charles Simon	Appointed as an executive Director on 15 July 2021
Mr. Jin Peiyi	Appointed as an executive Director on 30 July 2021
Dr. Li Zhong Yuan	Resigned as an executive Director, the chairman of Board, a member of the Nomination Committee and Remuneration Committee of the Board and an authorized representative on 30 July 2021

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 2021, 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 2021.

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 2021. The interim results for the six months ended 30 June 2021 are unaudited but certain agreed-upon procedures have been performed by the auditor of the Company in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The agreed-upon procedures performed by the auditor did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and the auditor does not express any assurance on the interim results of the Company.

By Order of the Board

Pan Asia Data Holdings Inc.

Gu Zhongli

Chairman

Hong Kong, 31 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Notes		(unaudited)	(unaudited)
Revenue	3	212,940	363,744
Cost of sales and services		(159,197)	(277,265)
Gross profit		53,743	86,479
Other income		11,026	17,617
Other gains and losses, net		3,488	(2,097)
(Impairment losses)/reversal of impairment losses under expected credit loss model		(5,292)	347
Impairment losses of other intangible assets	10	(631,594)	–
Distribution and selling expenses		(27,109)	(22,718)
Administrative expenses		(76,226)	(73,222)
Finance costs	4	(22,677)	(26,346)
Share of results of associates		19,109	3,963
Loss before taxation	5	(675,532)	(15,977)
Income tax credit/(expense)	6	158,691	(3,774)
Loss for the period		(516,841)	(19,751)
Loss for the period attributable to:			
Owners of the Company		(159,363)	(36,172)
Non-controlling interests		(357,478)	16,421
		(516,841)	(19,751)
Loss per share			
– Basic and diluted	7	(HK23.15 cents)	(HK5.42 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period	(516,841)	(19,751)
Other comprehensive income/(expense) Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	31,639	(46,123)
Share of other comprehensive income/(expense) of associates	3,627	(2,557)
Other comprehensive income/(expense) for the period	35,266	(48,680)
Total comprehensive expense for the period	(481,575)	(68,431)
Total comprehensive expense attributable to:		
Owners of the Company	(139,620)	(58,115)
Non-controlling interests	(341,955)	(10,316)
	(481,575)	(68,431)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	155,557	134,082
Right-of-use assets		85,191	73,273
Intangible assets	10	375,232	626,681
Interests in associates	11	161,607	261,801
Financial assets at fair value through profit or loss		5,475	544
Deferred tax assets		13,038	5,460
Deposits paid for non-current assets		3,253	2,899
		799,353	1,104,740
Current assets			
Inventories		47,152	38,345
Trade and other receivables	12	456,936	382,140
Tax recoverable		25	25
Restricted bank deposits	13	265,934	350,051
Bank balances and cash		244,704	227,878
		1,014,751	998,439
Current liabilities			
Trade and other payables	14	400,140	401,965
Lease liabilities		12,312	11,279
Borrowings	15	550,864	500,000
Promissory notes payable	16	166,131	–
Tax payable		1,859	9,834
		1,131,306	923,078
Net current (liabilities)/assets		(116,555)	75,361
Total assets less current liabilities		682,798	1,180,101

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		40,034	154,378
Promissory notes payable	16	–	163,579
Lease liabilities		31,112	20,891
		71,146	338,848
Net assets		611,652	841,253
Capital and reserves			
Share capital	17	7,465	6,774
Reserves		224,750	228,229
Equity attributable to owners of the Company		232,215	235,003
Non-controlling interests		379,437	606,250
Total equity		611,652	841,253

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (note a)	Shareholders' contribution/distribution reserve HK\$'000 (note b)	Translation reserve HK\$'000	Other reserve HK\$'000 (note c)	Non-distributable reserve HK\$'000 (note d)	Retained profits/(accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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
At 1 January 2021 (audited)	6,774	375,103	32,000	(274)	43,795	4,571	17,432	(244,398)	235,003	606,250	841,253
Loss for the period	-	-	-	-	-	-	-	(159,363)	(159,363)	(357,478)	(516,841)
Other comprehensive income											
Exchange differences arising on translation of foreign operations	-	-	-	-	16,116	-	-	-	16,116	15,523	31,639
Share of other comprehensive expense of associates	-	-	-	-	3,627	-	-	-	3,627	-	3,627
Other comprehensive income for the period	-	-	-	-	19,743	-	-	-	19,743	15,523	35,266
Total comprehensive income/(expense) for the period	-	-	-	-	19,743	-	-	(159,363)	(139,620)	(341,955)	(481,575)
Issue of shares (Note 17)	691	136,141	-	-	-	-	-	-	136,832	-	136,832
Increase in non-controlling interest as a result of step acquisition of a subsidiary (Note 18)	-	-	-	-	-	-	-	-	-	115,142	115,142
At 30 June 2021 (unaudited)	7,465	511,244	32,000	(274)	63,538	4,571	17,432	(403,761)	232,215	379,437	611,652

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 2021 and 2020 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 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(31,482)	(160,157)
INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment	(24,461)	(4,254)
Payments for purchases of intangible assets	–	(92)
Dividends received from an associate	13,500	63,979
Net cash inflows on step acquisition of a subsidiary (Note 18)	26,536	–
Interest received	756	5,789
Proceeds from disposal of property, plant and equipment	816	524
NET CASH GENERATED FROM INVESTING ACTIVITIES	17,147	65,946
FINANCING ACTIVITIES		
Interest paid	(17,490)	(18,481)
New bank borrowing raised	12,189	–
New other borrowing raised	38,675	–
Repayments of bank borrowing	–	(50,234)
Repayments of lease liabilities	(6,356)	(5,416)
Repayments of promissory notes payable	–	(59,933)
Net proceeds from issue of shares	–	49,867
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	27,018	(84,197)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,683	(178,408)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	227,878	420,058
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,143	(7,091)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	244,704	234,559

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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 provision of third-party payment services, manufacturing and trading of liquid coatings and powder coatings and has commenced a business engaging in big data services since the step acquisition of Lian Yang Guo Rong Holdings Limited ("LYGR") on 2 June 2021. Details of the step acquisition are set out in note 18. 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:

Big data services	—	Provision of big data services
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 2021 (unaudited)

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

3. REVENUE AND SEGMENTAL INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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

Six months ended 30 June 2020 (unaudited)

	Big data services HK\$'000 (Re-presented)	Third-party payment services HK\$'000 (Re-presented)	Coatings HK\$'000 (Re-presented)	Total HK\$'000 (Re-presented)
REVENUE FROM CONTRACTS WITH CUSTOMERS				
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 (Point in time)	–	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)*

Segment profits/(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, net gain/loss 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, gain on step acquisition of a subsidiary, 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 2021 (unaudited)

	Big data services HK\$'000	Third-party payment services HK\$'000	Coatings HK\$'000	Total HK\$'000
ASSETS				
Segment assets	493,080	636,749	482,594	1,612,423
Unallocated assets				201,681
				<u>1,814,104</u>
LIABILITIES				
Segment liabilities	69,539	279,438	599,468	948,445
Unallocated liabilities				254,007
				<u>1,202,452</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 2020 (audited)

	Big data services HK\$'000 (Re-presented)	Third-party payment services HK\$'000 (Re-presented)	Coatings HK\$'000 (Re-presented)	Total HK\$'000 (Re-presented)
ASSETS				
Segment assets	-	1,351,436	463,206	1,814,642
Unallocated assets				288,537
				<u>2,103,179</u>
LIABILITIES				
Segment liabilities	-	352,840	583,119	935,959
Unallocated liabilities				325,967
				<u>1,261,926</u>

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

Geographical information

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

4. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowing and other borrowing	19,622	18,881
Interest on lease liabilities	503	689
Imputed interest on promissory notes payable (Note 16)	2,552	6,776
	22,677	26,346

5. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Amortisation of intangible assets	11,104	22,876
Loss on fair value change of contingent consideration payable	–	8,149
Depreciation of property, plant and equipment	11,398	7,897
Depreciation of right-of-use assets	6,343	5,538
Donation	990	1,206
(Gain)/loss on disposal of property, plant and equipment	(397)	37
Gain on step acquisition of a subsidiary (Note 18)	(3,697)	–
Expense relating to short-term leases	110	595
Interest income	(756)	(5,789)
Net exchange loss/(gain)	913	(1,729)
Provision for/(reversal of) allowance for inventories	1,383	(107)

6. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax:		
Current period	1,046	165
Over-provision in prior years	–	(831)
	1,046	(666)
PRC Enterprise Income Tax:		
Current period	70	9,397
Over-provision in prior years	(1,626)	–
	(1,556)	9,397
Deferred tax	(158,181)	(4,957)
Taxation (credit)/expense	(158,691)	3,774

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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	(159,363)	(36,172)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	688,388	666,794

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 2021 (six months ended 30 June 2020: nil).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, total additions to property, plant and equipment were approximately HK\$24,461,000 (six months ended 30 June 2020: HK\$4,254,000) which mainly represented additions to leasehold improvements and construction in progress of approximately HK\$16,881,000 (six months ended 30 June 2020: HK\$3,384,000), owned properties of approximately HK\$459,000 (six months ended 30 June 2020: Nil), furniture, fixtures and office equipment of approximately HK\$6,286,000 (six months ended 30 June 2020: HK\$221,000), motor vehicles of approximately HK\$711,000 (six months ended 30 June 2020: HK\$372,000), and plant, machinery and equipment of approximately HK\$124,000 (six months ended 30 June 2020: HK\$277,000).

In addition, during the six months ended 30 June 2021, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$419,000 (six months ended 30 June 2020: HK\$561,000) for cash proceeds of approximately HK\$816,000 (six months ended 30 June 2020: HK\$524,000), resulting in a gain on disposal of approximately HK\$397,000 (six months ended 30 June 2020: loss on disposal of HK\$37,000).

10. MOVEMENTS IN INTANGIBLE ASSETS

During the six months ended 30 June 2021, total additions to intangible assets were approximately HK\$375,225,000 (six months ended 30 June 2020: HK\$92,000) which mainly represented additions to goodwill of approximately HK\$113,590,000 (six months ended 30 June 2020: Nil), computer software of approximately HK\$23,106,000 (six months ended 30 June 2020: HK\$92,000), and contract related intangible assets of approximately HK\$238,529,000 (six months ended 30 June 2020: Nil).

Day's Enterprise Company Limited* (得仕股份有限公司) ("Days Services"), a member of the Group and a non-wholly owned subsidiary of the Company, holds a licence issued by the People's Bank of China ("PBOC") authorising the provision of third-party payment services in the PRC (the "Payment License") which expired on 28 August 2021. On 29 August 2021, Days Services was informed that the PBOC had decided to suspend the review process. The management of the Group concluded there was indication for impairment and conducted impairment assessment on carrying amounts of certain cash-generating units within the third-party payment services segment. Based on the result of the assessment, the Group recognised impairment loss of HK\$631,594,000 (six months ended 30 June 2020: Nil) related to other intangible assets during the current interim period.

* English translation of name is for identification purpose only

11. INTERESTS IN ASSOCIATES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Cost of investments in associates, unlisted	513	142,932
Accumulated share of post-acquisition profits and other comprehensive income, net of dividends received	161,094	146,427
Impairment losses recognised	–	(27,558)
	161,607	261,801

As at 31 December 2020, the costs of investments in associates included goodwill of associates of approximately HK\$97,184,000. During the period ended 30 June 2021, LYGR ceased to be an associate of the Group and has become a subsidiary of the Company. On 2 June 2021, the Group completed an additional investment of 23.33% in LYGR, through acquiring from an existing shareholder of LYGR an aggregate consideration of approximately HK\$93,294,000 (the "Acquisition"). Upon completion of the Acquisition, the Group held equity interest of 54.22% in LYGR and LYGR has become an indirect non-wholly owned subsidiary of the Company thereafter. Details of the Acquisition are disclosed in note 18.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables	258,349	189,634
Bills receivables	9,193	11,147
Less: loss allowance on trade receivables	(30,896)	(23,431)
Total trade and bills receivables	236,646	177,350
Other receivables, deposits and prepayments		
– Trade deposits paid to merchants	140,042	154,250
– Receivable from the clearing houses for third-party payment services	–	6,047
– Other receivables and prepayments	80,248	44,493
Total trade and other receivables	456,936	382,140

12. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0–30 days	66,130	32,412
31–60 days	45,789	27,297
61–90 days	28,507	18,153
91–180 days	21,889	20,249
Over 180 days	74,331	79,239
	236,646	177,350

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$154,808,000 (unaudited) (31 December 2020: HK\$131,764,000) which are past due as at the reporting date. Out of the past due balances, approximately HK\$100,568,000 (unaudited) (31 December 2020: HK\$99,656,000) 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 2021, 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\$5,251,000 (unaudited) (31 December 2020: HK\$311,000) and approximately HK\$865,000 (unaudited) (31 December 2020: HK\$4,148,000) respectively.

As at 30 June 2021, included in other receivables, there were amounts due from a subsidiary of an associate and an associate of approximately HK\$2,950,000 (unaudited) (31 December 2020: HK\$13,980,000) and approximately HK\$15,188,000 (unaudited) (31 December 2020: HK\$1,460,000) respectively. These amounts are unsecured, interest-free and repayable on demand.

13. RESTRICTED BANK DEPOSITS

Restricted bank deposits comprises:

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 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>)	259,688	334,379
Maintained for merchants as performance guarantee deposits	1,707	11,252
Maintained as reserve deposits to secure the Group's use of online business to business payment platforms provided by the banks	3,306	3,220
Maintained as reserve deposits to the general risk reserve funds as governed by the PRC government	1,233	1,200
	265,934	350,051

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

14. TRADE AND OTHER PAYABLES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade payables	82,111	46,415
Accrued staff cost	15,595	16,988
Payables to merchants	66,737	85,968
Unutilised float funds (<i>Note</i>)	153,847	200,058
Other payables and accruals	81,850	52,536
	400,140	401,965

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 payables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0–30 days	67,225	32,679
31–60 days	7,595	5,785
61–90 days	2,158	928
Over 90 days	5,133	7,023
	82,111	46,415

As at 30 June 2021, included in trade payables, there were trade payables due to a subsidiary of an associate of approximately HK\$85,000 (unaudited) (31 December 2020: HK\$7,000).

As at 30 June 2021, included in other payables, there was an amount due to a subsidiary of an associate of approximately HK\$3,000 (unaudited) (31 December 2020: Nil). The amount is unsecured, interest-free and repayable on demand.

15. BORROWINGS

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Secured		
— Bank borrowing (Note (i))	12,189	–
— Other borrowing (Note (ii))	538,675	500,000
Amount due for settlement within 12 months shown under current liabilities	550,864	500,000

Notes:

- (i) During the six months ended 30 June 2021, the Group obtained a fixed-rate bank borrowing of RMB10,000,000 (equivalent to approximately HK\$12,189,000), which was denominated in Renminbi and carried an interest rate of 5% per annum. The bank borrowing was secured by the personal and corporate guarantees.
- (ii) During the six months ended 30 June 2021, the Group obtained a fixed rate other borrowing of HK\$38,675,000, which carried an interest rate ranging from 1.0%–1.5% per month and is repayable on 4 August 2021. The other borrowing was secured by a charge over the equity interest in a wholly owned subsidiary of the Company.

As at 30 June 2021 and 31 December 2020, the Group's existing fixed rate other borrowing of HK\$500,000,000, which carried an interest rate of 7% per annum 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 (i) HK\$'000	Second Promissory Note (ii) HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	9,391	–	9,391
Issuance of promissory note (Note (ii))	–	213,995	213,995
Imputed interest	542	14,117	14,659
Repayment of promissory note	(9,933)	(64,533)	(74,466)
At 31 December 2020 (audited) and 1 January 2021 (audited)	–	163,579	163,579
Imputed interest (Note 4)	–	2,552	2,552
At 30 June 2021 (unaudited)	–	166,131	166,131

16. PROMISSORY NOTES PAYABLE *(Continued)*

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Analysed for reporting purposes as:		
Current liabilities	166,131	–
Non-current liabilities	–	163,579
	166,131	163,579

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 Information Technology Holding Limited (“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. As at 30 June 2021, the outstanding principal amount of the Second Promissory Note was approximately HK\$165,467,000 (31 December 2020: HK\$165,467,000).

17. SHARE CAPITAL

	2021		2020	
	Number of shares '000	HK\$'000	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January 2020 (audited), 31 December 2020 (audited), 1 January 2021 (audited) and 30 June 2021 (unaudited)	10,000,000,000	100,000	10,000,000,000	100,000
Issued:				
At 1 January (audited)	677,376,770	6,774	663,088,770	6,631
Issue of shares under subscription agreements (Note (i))	–	–	14,288,000	143
Issue of shares for step acquisition of a subsidiary (Note (iii))	69,106,895	691	–	–
At 30 June (unaudited)/ 31 December (audited)	746,483,665	7,465	677,376,770	6,774

17. SHARE CAPITAL *(Continued)*

Notes:

- (i) 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.
- (ii) On 2 June 2021, the Company issued 69,106,895 new ordinary shares of HK\$0.01 each, as consideration for the step acquisition of a subsidiary (Note 18). The closing market price of the Company's shares as at 2 June 2021 as quoted on the Stock Exchange was HK\$1.98. After deducting related expenses, an amount of approximately HK\$136,141,000 in excess of par value was credited to share premium.

18. STEP ACQUISITION OF A SUBSIDIARY

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

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

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

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

18. STEP ACQUISITION OF A SUBSIDIARY (Continued)

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

	Six months ended 30 June 2021 Fair value HK\$'000 (unaudited)
Net assets acquired:	
Property, plant and equipment	6,039
Right-of-use assets	19,364
Intangible assets	261,635
Financial assets at fair value through profit or loss	4,826
Deferred tax assets	7,459
Amount due from a shareholder	99
Trade and other receivables	54,412
Cash and cash equivalents	26,536
Trade and other payables	(41,564)
Amount due to related companies	(24,861)
Lease liabilities	(20,770)
Tax payable	(1,642)
Deferred tax liabilities	(40,021)
Net identifiable assets at fair value	251,512
Non-controlling interests	(115,142)
Goodwill	113,590
Total consideration	249,960

The goodwill of approximately HK\$113,590,000, which is not deductible for tax purposes, mainly represents the control premium paid, skills and technical talent of LYGR's workforce and the expected synergies to be achieved from integrating LYGR into the Group's existing businesses and future market development. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group has elected to measure the non-controlling interests in LYGR at its proportionate share of the acquired net identifiable assets. The amount of the non-controlling interests at the Completion Date amounted to approximately HK\$115,142,000.

18. STEP ACQUISITION OF A SUBSIDIARY (Continued)

	Six months ended 30 June 2021 Fair value HK\$'000 (unaudited)
Total consideration satisfied by:	
Consideration shares (Note)	136,832
Fair value of previously held 30.89% equity interest in LYGR	113,128
	249,960

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

	Six months ended 30 June 2021 HK\$'000 (unaudited)
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	26,536

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

19. COMMITMENTS

(a) Capital commitments

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for	3,234	6,086

19. COMMITMENTS *(Continued)*

(b) Other commitments

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Proposed purchase of land contracted for but not provided for <i>(Note)</i>	7,159	6,978

Note:

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

Pursuant to supplemental agreement made on 31 December 2019, acquisition of Parcel 2 was terminated and deposit of approximately RMB359,000 (equivalent to approximately HK\$401,000) was refunded. The remaining balance of Parcel 1 of approximately RMB1,255,000 was included as commitment as at 30 June 2021 and 31 December 2020, equivalent to approximately HK\$1,530,000 and approximately HK\$1,491,000 respectively. The acquisition of Parcel 1 had not yet been completed up to 30 June 2021.

On 22 May 2015, the Group entered into a sale and purchase agreement with the People's Government of Luoyang Town, Wujin District, Changzhou City to acquire a piece of land located in the PRC at a cash consideration of approximately RMB6,579,000 (equivalent to approximately HK\$8,019,000). Deposit of approximately RMB1,961,000 (equivalent to approximately HK\$2,390,000) was paid and the remaining balance of approximately RMB4,618,000 was included as commitment as at 30 June 2021 and 31 December 2020, equivalent to approximately HK\$5,629,000 and approximately HK\$5,487,000 respectively. The purchase of the land had not yet been completed up to 30 June 2021.

20. 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	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Subsidiaries of an associate	Sales of goods	19,716	36,232
	Management fee income	1,300	2,827
	Rental income	1,784	1,632
	Transportation fee income	1,780	1,504
	Purchase of goods	271	1,603
	Royalty fee income	5,678	5,572
	Dividend received	13,500	63,979
A subsidiary of a non-controlling shareholder	Rental income	–	255
	Sales of goods	–	2,290
	Purchase of goods	–	200
A non-controlling shareholder	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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term employee benefits	6,074	6,819
Post-employment benefits	18	18
	6,092	6,837

21. 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 2021 (unaudited)	31 December 2020 (audited)			
Unlisted equity shares classified as financial assets at fair value through profit or loss	Unlisted equity shares, HK\$558,000	Unlisted equity shares, HK\$544,000	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

21. 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 2021 (31 December 2020: 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 2021 and 31 December 2020, 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.

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 2020 (audited)	511
Exchange adjustments	33
	<hr/>
At 31 December 2020 (audited) and 1 January 2020 (audited)	544
Exchange adjustments	14
	<hr/>
At 30 June 2021 (unaudited)	558
	<hr/>

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

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

22. EVENTS AFTER REPORTING PERIOD

- a. On 27 July 2021, the Company granted 27,000,000 options to selected grantees (the “Grantees”), subject to their acceptance, to subscribe for an aggregate of 27,000,000 ordinary shares of HK\$0.01 each in the Company at exercise price of HK\$2.056 per share under the share option scheme adopted on 30 June 2021 (the “Share Option Scheme”). Among the 27,000,000 options granted, 9,620,000 options were granted to four Directors (7,400,000 Options were granted to Ms. Liu Rong Rong, an executive Director, and 740,000 Options were granted to each of Mr. Li Gong, Mr. Wang Jianping and Dr. Shi Ping, the independent non-executive Directors), 6,600,000 options and 780,000 options were granted to two employees of the Company respectively, and 5,000,000 options were granted to each of two consultants of the Company. The options were granted to the Grantees in recognition of their past contributions and services to the Company and for the purpose of retaining outstanding personnel of the Company.

- b. On 6 August 2021, the Company entered into six subscription agreements with certain subscribers, being independent third parties to the Group, pursuant to which the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue a total of 15,000,000 new ordinary shares at a price of HK\$2.00 per subscription share (the “Subscription”). On 27 August 2021, an aggregate of 15,000,000 shares were allotted and issued by the Company to the subscribers at the subscription price of HK\$2.00 per share paid in cash. The gross proceeds raised were approximately HK\$30.0 million, and the net proceeds, after deduction of all relevant expenses, were approximately HK\$29.9 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 announcement dated 6 August 2021.

22. EVENTS AFTER REPORTING PERIOD *(Continued)*

- c. Days Services holds the Payment License issued by the PBOC which expired on 28 August 2021. An application had been made for a 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 Days Services suitability to continue to be a licensee, and will resume the review process of the renewal afterwards. In the meantime, Days Services has obtained confirmation from the PBOC that Days Services is permitted to conduct its business as usual. The Company will continue to monitor the situation and updates will be announced as soon as further material information becomes available.