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## **PALADIN LIMITED**

*(Incorporated in Bermuda with limited liability)*

*(Stock code: 495 and 642 (Preference Shares))*

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2015**

The Board of Directors (the “Board”) of Paladin Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2015.

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 31 December 2015*

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2015</b>	2014
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover		<b>3,222</b>	–
Other income		<b>1,777</b>	2,361
Administrative expenses		<b>(15,241)</b>	(29,955)
Loss on investment properties		<b>(44,200)</b>	6,500
Gain on disposal of subsidiaries		<b>895,348</b>	–
Finance costs	4	<b>(4,938)</b>	(9,082)
Provision for litigations		<b>–</b>	(2,690)
Profit (loss) for the period	6	<b>835,968</b>	(32,866)

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2015</b>	2014
<i>NOTE</i>		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive income</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
	Exchange difference arising on translation	<b>1,785</b>	3,460
	Fair value gain (loss) on available-for-sale investments	<b>1,632</b>	(1,343)
	Other comprehensive income for the period	<b>3,417</b>	2,117
	Total comprehensive income (expenses) for the period	<b>839,385</b>	(30,749)
	Earnings (loss) per share	7	
	Basic	<b>67.0 HK cents</b>	(3.44) HK cents
	Diluted	<b>60.3 HK cents</b>	(3.44) HK cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	31.12.2015 <i>HK\$'000</i> (Unaudited)	30.6.2015 <i>HK\$'000</i> (Audited)
Non-current assets		
Investment properties	474,840	–
Property, plant and equipment	34	59
Available-for-sale investments	11,320	9,688
Deposit placed for a life insurance policy	20,913	20,902
Deposits paid for acquisition of investment properties	55,588	–
	<u>562,695</u>	<u>30,649</u>
Current assets		
Other receivables, deposits and prepayments	9,894	16,041
Bank balances and cash	535,716	52,340
	<u>545,610</u>	<u>68,381</u>
Assets classified as held for sale	–	975,304
	<u>545,610</u>	<u>1,043,685</u>
Current liabilities		
Other payables and accrued charges	95,801	99,775
Amounts due to related parties	14,963	18,176
Bank overdrafts	–	76
	<u>110,764</u>	<u>118,027</u>
Liabilities associated with assets classified as held for sale	–	798,838
	<u>110,764</u>	<u>916,365</u>
Net current assets	<u>434,846</u>	<u>126,820</u>
	<u><u>997,541</u></u>	<u><u>157,469</u></u>

	<b>31.12.2015</b>	30.6.2015
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Capital and reserves		
Share capital	<b>13,374</b>	10,954
Reserves	<b>968,556</b>	131,591
	<b>981,930</b>	142,545
Non-current liabilities		
Convertible redeemable preference shares	<b>15,611</b>	14,924
	<b>997,541</b>	157,469

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2015*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2015.

## 3. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports reviewed by the chief operating decision maker, the Chairman of the Company, for the purpose of allocating resources to the segments and to assess their performances.

During the interim period ended 31 December 2015, in order to more accurately reflect the current business activities and business model of the Group, the internal organisation structure and reporting was changed such that property development and property investment activities are no longer separately assessed or reviewed. Instead, the information reviewed by the chief operating decision maker as at the end of the reporting period analyses the performance of the property business as a whole. Accordingly, it is determined that the Group now has one operating segment. The operating results and other financial information of this operating segment that are regularly reviewed by the chief operating decision maker have been prepared in accordance with accounting policies as disclosed in note 3 that are regularly reviewed by the directors of the Company.

As the segment information for the comparative period have to be restated whenever the composition of reportable segments changes during a reporting period, the segment information presented in the preceding year or period’s published accounts of the Group are not presented in this interim report as comparative information.

#### 4. FINANCE COSTS

	Six months ended	
	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings:		
– wholly repayable within five years	1,088	2,233
– not wholly repayable within five years	3,163	6,047
Interest on convertible redeemable preference shares	687	802
	<u>4,938</u>	<u>9,082</u>

#### 5. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both interim periods.

#### 6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period has been arrived at after (charging) crediting:		
Depreciation	(19)	(19)
Loss on disposal of property, plant and equipment	(337)	–
Interest income	534	36
	<u>534</u>	<u>36</u>

## 7. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
<i>Earnings (loss):</i>		
Earnings (loss) for the purpose of		
basic earnings (loss) per share	835,968	(32,866)
Effect of dilutive potential shares:		
Interest on convertible redeemable preference shares		
(net of income tax)	<u>687</u>	<u>N/A (note)</u>
Earnings for the purposes of diluted earnings per share	<u><u>836,655</u></u>	<u><u>N/A (note)</u></u>

	Six months ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
<i>Number of shares:</i>		
Weighted average number of ordinary shares for		
the purposes of basic earnings (loss) per share	1,248,507,081	956,581,913
Effect of dilutive potential ordinary shares for		
the purposes of diluted earnings per share	<u>137,887,740</u>	<u>N/A (note)</u>
Weighted average number of ordinary shares for		
the purposes of diluted earnings per share	<u><u>1,386,394,821</u></u>	<u><u>N/A (note)</u></u>

*Note:* The calculation of diluted loss per share for the six months period ended 31 December 2014 had not been disclosed as the exercise of the Company's outstanding convertible redeemable preference shares and convertible notes would reduce the loss per share for that period.

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The principal activity of the Group is property investment.

### **BUSINESS REVIEW AND PROSPECTS**

#### **Peak Road Property and AXA Properties**

On 17 June 2015, the Group entered into a sale and purchase agreement to sell certain subsidiaries of the Group of which are the registered and beneficial owners of the Peak Road Property for a consideration of HK\$1,825 million. The transaction was completed on 20 October 2015 and The Group has recognised a net gain of approximately HK\$895 million.

On 10 July 2015, the Company entered into a provisional sale and purchase agreement to purchase 2 companies which have the rights to acquire 20th, 21st Floors and 7 car parking spaces of AXA Centre, 151 Gloucester Road, Hong Kong (the “AXA Properties”). The aggregate consideration for acquisition of companies and the AXA Properties was approximately HK\$498 million. The transaction was completed on 20 October 2015.

The Group has, for some time, been seeking to realise value in respect of the Peak Road Property located, as it is, in a prime position on the Peak, Hong Kong. In particular, the Group considered and rejected notions of refurbishing or renovating the Peak Road Property, given the Group’s assessment of the substantial additional costs required for either such project, the uncertainty of raising additional finance to pursue the same, and the risks of a property market in a weaker state at the time of completing such a project.

The Peak Road Property required material capital expenditure in the absence of which the Peak Road Property and its value may deteriorate. Since the Group did not have readily available resources to undertake its share of funding such capital expenditure, the Group decided to dispose of its interests in the Peak Road Property and reworked its property portfolio to properties more manageable and better suited to its current financial position. The board of directors (the “Board”) was of the view that the AXA Properties could generate stable rental income for the Group and accordingly, fitted with the Group’s financial position and goals.



### **Cluny Properties**

On 7 December 2015, the Group entered into a preliminary sale and purchase agreement in relation to the acquisition of 2 properties and 2 car parks located at Cluny Park, 53 Conduit Road, Hong Kong, (the “Cluny Properties”) for an aggregate consideration of HK\$195,000,000. The Group expected that completion of the acquisition will take place on or before 31 March 2016.

The Group intends to hold the Cluny Properties for investment purposes and will lease out the Cluny Properties after the completion of the acquisition for rental income and will hold it for capital appreciation purposes. The Group will consider to sell the Cluny Properties for capital gains depending on future market circumstances. The Board believe that the acquisition will broaden the property portfolio and income base of the Group.

### **Research and development**

Sensors Integration Technology Limited, a wholly-owned subsidiary of the Group, has planned to conduct research and development of digital camera, camcorder, surveillance, video capturing and processing technology. It only generated a revenue of approximately HK\$0.4 million for the six months ended 31 December 2015.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2015, net current assets of the Group were approximately HK\$435 million. The current ratio was 4.93. The bank balances and cash were approximately HK\$536 million.

As at 31 December 2015, the Group has outstanding liabilities of approximately HK\$127 million comprising (i) other payables and accrued charges of approximately HK\$96 million, (ii) amounts due to related parties of approximately HK\$15 million and (iii) convertible redeemable preference shares of approximately HK\$16 million. The bank borrowings are on floating interest rates basis.

The majority of the Group’s assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

No bank borrowings were recorded as of 31 December 2015. The Group's gearing ratio as determined by bank borrowing divided by total equity was nil.

### **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

For the six months ended 31 December 2015, the Group has entered into a sale and purchase agreement to sell certain subsidiaries of the Group of which are the registered and beneficial owners of the Peak Road Property and has entered into a provisional sale and purchase agreement to purchase 2 companies which have the rights to acquire the AXA Properties. Both transactions were completed in October 2015.

For the six months ended 31 December 2015, the Group has entered into a preliminary sale and purchase agreement to acquire the Cluny Properties and the transaction is expected to be completed on or before 31 March 2016.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2015, the Group employed a total of 15 employees. They were remunerated according to market conditions.

### **CONTINGENT LIABILITIES**

As at 31 December 2015, there were contingent liabilities in respect of certain legal proceedings against the Company. The aggregate amount of claims was approximately HK\$2 million at the end of the reporting period.

## **INTERIM DIVIDEND**

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 31 December 2015.

## **PURCHASE, SALE AND REDEMPTION OF SHARES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## **AUDIT COMMITTEE**

The interim results for the six months ended 31 December 2015 has not been audited by the Group's auditor, but the Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2015.

## **CORPORATE GOVERNANCE**

During the period, the Company had complied with the relevant provisions set out in the Corporate Governance Code (the "Code") based on the principles set out in Appendix 14 to the Listing Rules, save for the following:

- the non-executive directors and independent non-executive directors are not appointed for a specific term in accordance with code provision A.4.1 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company.
- under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Certain independent non-executive directors of the Company were unable to attend the annual general meeting and special general meeting of the Company as they had other business commitment.

- Under the Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Dr. Oung Shih Hua, James is the Chairman of the Company and the Company currently does not appoint any new Chief Executive Officer. In the opinion of the Board, Dr. Oung temporarily acts as the role of the Chief Executive Officer. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution.
- Code provision A.5.6 requires that the nomination committee should have a policy concerning diversity of board members. The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

The Company will review the current bye-laws as and when it becomes appropriate in future.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is available for viewing on the website of the Stock Exchange and on the website of the Company at <http://www.aplushk.com/clients/00495paladin/>. The interim report of the Company will be despatched to the shareholders of the Company in due course.

By order of the Board  
**Oung Shih Hua, James**  
*CHAIRMAN*

Hong Kong, 29 February 2016

*As at the date of this announcement, the Chairman and executive director of the Company is Dr. Oung Shih Hua James; the non-executive directors of the Company are Mr. Yuen Chi Wah and Mr. Chan Chi Ho; and the independent non-executive directors of the Company are Dr. Au Chik Lam Alexander, Mr. Liu Man Kin Dickson and Professor Huang Weizong Martin.*