



PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495

2021 Interim Report

For the six months ended 31 December 2021

CORPORATE INFORMATION

DIRECTORS

Executive Director:

Oung Shih Hua, James (*Chairman*)

Non-executive Directors:

Chan Chi Ho

Yuen Chi Wah

Independent Non-executive Directors:

Au Chik Lam Alexander

Liu Man Kin Dickson

Luo Rongxuan

COMPANY SECRETARY

Chan Chi Ho

AUDITOR

RSM Hong Kong

Certified Public Accountants

Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

China CITIC Bank International Limited
Industrial and Commercial Bank of China (Asia)
Limited

SOLICITOR

David Norman & Co.

PRINCIPAL REGISTRAR

Estera Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL OFFICE

Suite 2100, 21st Floor
Capital Centre
151 Gloucester Road
Wan Chai
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

AUDIT COMMITTEE

Liu Man Kin Dickson (*Chairman*)
Au Chik Lam Alexander
Chan Chi Ho
Luo Rongxuan

NOMINATION COMMITTEE

Oung Shih Hua, James (*Chairman*)
Au Chik Lam Alexander
Luo Rongxuan
Liu Man Kin Dickson

REMUNERATION COMMITTEE

Liu Man Kin Dickson (*Chairman*)
Au Chik Lam Alexander
Luo Rongxuan
Oung Shih Hua, James



MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are property investment and research and development of high technology system and applications.

BUSINESS REVIEW AND PROSPECTS

The Group's turnover increased by approximately 46% to approximately HK\$12 million for the six months ended 31 December 2021 compared to the same period last year, and recorded a loss of approximately HK\$54 million as compared to a loss of approximately HK\$47 million for the corresponding period in 2020.

Properties investment

Rental income of the Group for the six months ended 31 December 2021 generated from its investment properties amounted to approximately HK\$4 million (2020: HK\$3 million).

The Group will continue to seek and explore investment opportunities to strengthen its investment portfolios.

Development of high technology products

Due to COVID-19's continued effect and restrictions on the world economy along with the chip shortage situation in the semiconductor industry, we have experienced some setbacks in our technology operations. However, we are still able to show progress during the period under review in the Group's development of the next generation technology for a number applications involving imaging, surveillance, navigation and advanced semi-conductor processing. The technology division of the Group now comprises five operations in four countries employing about 50 research and development engineers. To date, the Group working together with the Finnish Funding Agency for Technology and Innovation, have invested around HK\$140 million and further substantial investment is anticipated in the coming years. One of our technology division in Finland has generated revenue of approximately HK\$8 million in the current period but not as much as expected due to the above mentioned setbacks. It is expected that sales of a number of technological products or systems developed by the Group will continue or will commence soon and we are aiming that by the calendar year 2026, our technology division will generate a revenue of US\$100 million.

Unfortunately, due to a number of macro-economic factors such as the pandemic, chip shortage, raising supply and labor cost, and the continuation of a high tension and unpredictable Sino America market condition, and micro-economic factors such as the many challenges we faced during productization of our technology and the capital requirement to bring about a meaningful risk versus reward outcome, we have decided not to continue and cease operation of our subsidiary Next Level A.I. Solutions, LLC.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

The remaining subsidiaries of the Company in our technology division are engaged in the following areas of technological development:

Pexray Oy – 68.97% held, based in Espoo, Finland is engaged in the development of portable x-ray inspection devices for security and industrial applications. Security business area consists of security and counter-intelligence applications in such areas on baggage scanning, border control and customs, the detection of explosive devices, forensic investigation and security at large scale sporting and other events. Industrial business area focuses on non destructive testing (NDT) of critical structures, typical applications being power plants, oil and gas industry and aerospace.

The total sales for the six months ended 31 December 2021 was approximately HK\$8 million.

The major products are focusing on portable x-ray devices intended for security and NDT applications as follows:

- Scanning panel product line for security applications:

The first sales of the product was in August 2019. Pexray Oy has released multiple enhancements to increase product quality and customer satisfaction.

- Flat panel product for industrial NDT application:

The first sales of the product was in September 2020. Multiple accessories and SW features have been released through 2021 to support products and to meet customer demand.

Dynim Oy – 70.72% held, based in Oulu, Finland is developing high end camera products and artificial intelligence software for industrial applications, heavy machinery, and autonomous ground vehicles. Company's core products in 2022 are rugged stereo camera and solution for visual-inertial odometry by fusion of stereo camera, inertial measurement unit and auxiliary application specific sensors.

- Rugged stereo camera is for heavy duty industrial applications. This camera has been in development since 2020 and it is based on state-of-art application processor from NXP Semiconductors. The camera will provide depth sensing capability through stereo vision. Further sensor fusion applications will be enabled utilizing embedded IMU and GNSS receiver. First articles (2pcs) were delivered for pilot customer in mining industry evaluation May 2021. Another six units were delivered in November 2021. Full commercial release has been postponed due to delayed completion of remaining product features, and because of global shortage in electronics components has affected manufacturing and prototyping lead times. Plan for the commercial release is first quarter 2022. In 2022 Dynim Oy will launch new stereo camera product releases introducing additional product features and applications. Machine learning framework release to enable artificial intelligence model inference in camera's embedded processing system will be released second quarter 2022. New image sensor version of the camera to provide increased image resolution and 4K video streaming will be launched in second half of 2022.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

- Project to develop solution for stereo camera based visual-inertial odometry was started in 4th quarter 2021. Dynim will complete proof-of-concept prototype during first quarter 2022 and the MVP product implementation will be available in second half of 2022 for customer evaluation.

Navigs Oy – 79.63% held, based in Espoo, Finland. Navigs Oy is engaged in the development of accurate positioning and image sensing technologies to be integrated into semi-automated agricultural vehicles and advanced driver assistance systems in agricultural vehicles to achieve autonomous precision farming, and for application in marine navigation systems. The major products are IPESSA Classic, IPESSA Tiny and IPESSA Nano.

- IPESSA Classic is a stand-alone, self-contained positioning module for autonomous Agri- and other robotics, and based on sensor fusion of satellite and high-performance inertial positioning technologies. The pilot sales of IPESSA Classic suggests that the cost structure of high-performance IPESSA Classic makes it less attractive in basic, originally targeted agricultural vehicles. Marketing effort is therefore now focusing on special applications, where high positioning performance is needed and justified.
- IPESSA Tiny is a low-cost positioning module for light, autonomous vehicles in precision farming, delivery robots, and drones and is based on dual satellite receiver and inertial sensing. Prototypes were completed in early 2021. Piloting with chosen customers was delayed due to global chip shortages, and it is ongoing in first quarter 2022. Volume production is expected to start in second to third quarter 2022.
- IPESSA Nano is a compact positioning module for applications, such as drones and small AGVs, where size and weight are key criteria. It is based on dual-antenna satellite receiver and inertial measurement unit. Otherwise, IPESSA Nano is compromised solution with less features than IPESSA Tiny. Target to finish IPESSA Nano prototypes in 2nd quarter 2022 and run customer pilots in second to third quarter 2022. Expecting to start volume production by the end of 2022.

Imagica Technology Inc. – 65.76% held, based in Vancouver, Canada. This company is developing a series of linear array image sensors for spectroscopy, document scanners, and sensors used for several security and machine vision applications. There have been negative and positive impacts with the semiconductor fabrication industry in disarray and capacity limited. The status of primary products are as follows:

- ITC576: Linear array image sensor for CIS (Contact Image sensor) applications

Wafers are processed in California. These devices are used in bill readers, document scanners and industrial imaging of web-like materials. This device is out of fabrication but was subject to delays in processing and exited the fabrication facility in early January, a full 8 – 10 weeks late. As of Jan 2022, wafers have been shipped to the customer for modules used in multi-function peripherals; the design for a machine vision module for industrial web inspection is complete and going to manufacturing in February as well packaging has been prepared for sales in single sensor form.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

- ITR 2048: Linear array image sensor for Sony replacement

Wafers are processed in California, and we have wafers in stock. With the advent of the semiconductor industry undergoing capacity issues, the fact that we have stock means we are seeing increased RFQs (Request for quotation) and have high volume customers currently evaluating the sensor. This is a positive impact of the semiconductor industry supply issues. Movement in this area is expected in February/March 2022.

- A2K: Array video sensor for HD format (2K x 1080) at 60 Hz global shutter high performance wide dynamic range

Wafers are processed in Japan, China, and California U.S.A. These devices are used in security and machine vision applications and higher performance imaging areas. Process adaptation to Japanese foundry is primarily complete. We have also seen delays in processing as foundry capacity dries up. CMOS readout wafers will go to fabrication in the first quarter of 2022. Limited access to China to set up post-processing has been delayed, but visits and completion of that work to take place starting in February 2022. First articles will be available in the second quarter of 2022, with first customer shipments beginning soon. This is a platform for subsequent improvements in processing, and each SKU will be retained and sold as separate products. An example is that the first devices will be black and white, and that will be followed by improvements in dark performance and then colour filters and more to follow. Preliminary results from early processing and testing indicate as industry-setting performance levels will be achievable in 2022.

Skyin Technology Limited – 70% held, based in Shanghai, the PRC. This company is developing three-dimensional and artificial intelligence industrial vision software and products. The prototype of three-dimensional industrial cameras (SE01/SE02/SE03) have been developed as planned, but considering the changes of market situation and fierce price competition, they have not been mass produced and put into the market, and no sales revenue has been obtained.

At present, the company focuses on industrial vision software and solutions based on AI. The company is positioned to transform from industrial vision equipment supplier to system solution integrator. We have developed intelligent industrial vision module based on embedded hardware platform and deep learning AI algorithms, which can quickly identify and classify multiple moving or stationary objects at the same time, and drive robots to realize the functions of positioning, sorting, and etc. It can be widely used in the field of production line assembly, logistics and so on, so as to further improve production efficiency and product quality. We will develop solutions for specific industrial applications based on this technology.

Industrial vision customer demands are closely related to their production processes and application scenarios, which are very fragmented. The threshold for obtaining customer demands and technical service requirements are relatively high. We are actively developing technology and maintaining communication with some domestic customers, but it will take some time to accumulate technology and market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, net current liabilities of the Group were approximately HK\$23 million. The current ratio was 0.85. The bank and cash balances were approximately HK\$111 million.

As at 31 December 2021, the Group has outstanding liabilities of approximately HK\$176 million comprising (i) trade and other payables of approximately HK\$15 million, (ii) amounts due to related parties of approximately HK\$21 million, (iii) bank loans of approximately HK\$85 million, (iv) convertible notes of approximately HK\$25 million and (v) other liabilities of approximately HK\$30 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 hedge against foreign exchange risk.

The Group's bank borrowings were secured by leasehold land and buildings of approximately HK\$184 million.

The Group's gearing ratio as determined by total debt divided by total assets was approximately 18.85%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2021, the Group had no material acquisitions and disposals of subsidiaries.

As at 31 December 2021, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 67 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liability.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 31 December 2021.

DIRECTORS' REPORT



DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

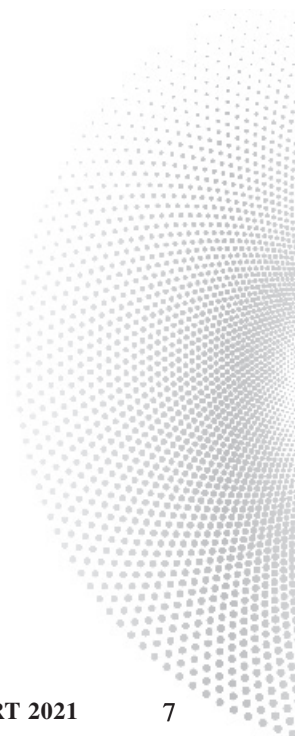
As at 31 December 2021, the interests and short positions of the directors of the Company and their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under 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 the Listed Issuers (the “Model Code”) were as follows:

Long positions in the shares and underlying shares of the Company:

Name of director	Capacity	Number of ordinary shares held	Number of underlying shares – share options*	Total	Percentage of interest
Oung Shih Hua, James	Beneficial owner	15,724,999	39,772,190	55,497,189	3.96%
Chan Chi Ho	Beneficial owner	–	39,772,190	39,772,190	2.84%
Yuen Chi Wah	Beneficial owner	–	39,772,190	39,772,190	2.84%

* These represent the shares to be issued and allotted by the Company upon exercise of the options granted under the Share Option Scheme.

Other than as disclosed above, as at 31 December 2021, none of the directors, chief executive of the Company nor their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept 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.



SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the persons (other than the directors of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company:

Name of Shareholder	Capacity	Number of Ordinary Shares held	Number of underlying shares – share options	Number of underlying shares – convertible notes	Total	Percentage of interest
Basurto Holdings Limited (<i>Note a</i>)	Interest of a controlled corporation	508,848,531	–	–	508,848,531	36.31%
Cityguard Holdings Limited (<i>Note b</i>)	Beneficial owner	508,848,531	–	–	508,848,531	36.31%
Five Star Investments Limited (<i>Note c</i>)	Interest of a controlled corporation	508,848,531	–	–	508,848,531	36.31%
Gold Seal Holdings Limited (<i>Note d</i>)	Beneficial owner	309,388,211	–	228,605,681	537,993,892	38.39%
Next Level Corporate Limited (<i>Note e</i>)	Other (<i>Note e</i>)	508,848,531	–	–	508,848,531	36.31%
Mr. Oung Da Ming	Beneficial owner	75,000,000	39,772,190	15,000,000	129,772,190	9.26%
	Interest of a controlled corporation (<i>Note a</i>)	508,848,531	–	–	508,848,531	36.31%
	Interest of a controlled corporation (<i>Note d</i>)	309,388,211	–	228,605,681	537,993,892	38.39%
		893,236,742	39,772,190	243,605,681	1,176,614,613	83.96%
Ms. Hsu Ong Hsiao Ling	Beneficial owner	–	39,772,190	–	39,772,190	2.84%
	Interest of a controlled corporation (<i>Note d</i>)	309,388,211	–	228,605,681	537,993,892	38.39%
		309,388,211	39,772,190	228,605,681	577,766,082	41.23%

Notes:

- Basurto Holdings Limited is held by Mr. Oung Da Ming on trust for the estate of his deceased mother, Ms. Oung Chin Liang Fung (as to 67%) and his sister, Ms. Lilian Oung (as to 33%).
- Cityguard Holdings Limited, is a wholly-owned subsidiary of Five Star Investments Limited.
- Five Star Investments Limited is directly and individually (through Basurto Holdings Limited) owned as to 67% by the estate of Ms. Oung Chin Liang Fung, grandmother of Dr. Oung Shih Hua, James, and 33% by Ms. Lilian Oung, his aunt. See note (a) above.
- Gold Seal Holdings Limited is owned as 50% by Mr. Oung Da Ming and 50% by his sister, Ms. Hsu Ong Hsiao Ling.
- Next Level Corporate Limited is owned as 25% by Mr. Oung Da Ming, 25% by his son, Mr. Oung Shih How, 25% by Dr. Oung Shih Hua, James, and 25% by Anglo Chinese Nominees, Limited which holds its shares in Next Level Corporate Limited as bare trustee for Basurto Holdings Limited. Next Level Corporate Limited is the owner of equity derivatives relating to Ordinary Shares and a chargee of Ordinary Shares.

DIRECTORS' REPORT (Cont'd)

Other than as disclosed above, as at 31 December 2021, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by the Company on 8 December 2015 for the purpose of providing incentives or rewards to selected participants for their contributions to the Group.

Share options comprising a total of 397,721,900 underlying Shares (the "Options") were granted under the Share Option Scheme to certain employees of the Group and Directors on 30 May 2016, 23 June 2017 and 9 November 2018 respectively. Details of the movements of the share options during the period are as follows:

Grantees	Outstanding as at 01.07.2021	Number of Options				Outstanding as at 31.12.2021	Exercise price per Share HK\$	Grant Date	Exercise period
		Granted during the period	Cancelled during the period	Lapsed during the period	Exercised during the period				
Directors									
Oung Shih Hua, James	13,676,400	-	-	-	-	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Chan Chi Ho	13,676,400	-	-	-	-	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Yuen Chi Wah	13,676,400	-	-	-	-	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Substantial shareholders									
Oung Da Ming	13,676,400	-	-	-	-	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Hsu Ong Hsiao Ling	13,676,400	-	-	-	-	13,676,400	0.321	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179	9 November 2018	9 November 2018 – 8 November 2028

DIRECTORS' REPORT (Cont'd)

Grantees	Outstanding as at 01.07.2021	Number of Options				Outstanding as at 31.12.2021	Exercise price per Share HK\$	Grant Date	Exercise period
		Granted during the period	Cancelled during the period	Lapsed during the period	Exercised during the period				
Associates of substantial shareholders (note)	41,029,200	-	-	-	-	41,029,200	0.321	30 May 2016	30 May 2016 – 29 May 2026
	40,487,370	-	-	-	-	40,487,370	0.296	23 June 2017	23 June 2017 – 22 June 2027
	37,800,000	-	-	-	-	37,800,000	0.179	9 November 2018	9 November 2018 – 8 November 2028
Employees	27,352,800	-	-	-	-	27,352,800	0.321	30 May 2016	30 May 2016 – 29 May 2026
	26,991,580	-	-	-	-	26,991,580	0.296	23 June 2017	23 June 2017 – 22 June 2027
	25,200,000	-	-	-	-	25,200,000	0.179	9 November 2018	9 November 2018 – 8 November 2028

Note:

Being share options held by Oung Shih How, Zee Alfred and King, Camille V.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the spouses or children under the age of 18 of the directors had any right to subscribe for the securities of the Company or had exercised such rights during the period.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 31 December 2021, the Company repurchased 260,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HK\$34,000. Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares.

MAJOR SUPPLIERS AND CUSTOMERS

For the six months ended 31 December 2021, aggregate revenue attributable to the Group's largest and five largest customers accounted for 40% and 90% of the Group's total revenue respectively. For the six months ended 31 December 2021, purchases from the Group's largest and five largest suppliers accounted for 26% and 58% of the Group's total cost of sales respectively.

None of the Directors or any of their associates or any shareholders of the Company (which to the best of the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers for the six months ended 31 December 2021.



USE OF NET PROCEEDS FROM THE OPEN OFFER

Net proceeds from the open offer by way of convertible notes in December 2017 amounted to approximately HK\$63.2 million. As at 31 December 2021, a total amount of approximately HK\$19 million out of net proceeds had been used by the Group.

As announced on 14 December 2021, negotiations for the purchase of land were impaired and have now halted as a result of the coronavirus pandemic. The land in question is in Vietnam and was to be acquired for use by the Company's subsidiary incorporated in and managed from Finland. As the facilities that were intended to be financed by the HK\$39 million earmarked for construction of facilities were intended to be built on land the acquisition of which is no longer being negotiated they can no longer be used for that purpose. Given the uncertainties created by the coronavirus pandemic, and that the Company does not know if and when these uncertainties will be resolved, the Company has decided to change the use of proceeds of the Open Offer to general working capital, and it is expected to be used in the next eighteen months.

	Proposed use of proceeds	Relocation on 16 December 2021	Amount utilised up to 31 December 2021	Unused proceeds as at 31 December 2021
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
• General working capital	–	46,800	(2,580)	44,220
• Purchase of land	7,800	(7,800)	–	–
• Construction of facilities	39,000	(39,000)	–	–
• Operation costs	16,400	–	(16,400)	–
Total	<u>63,200</u>	<u>–</u>	<u>(18,980)</u>	<u>44,220</u>

AUDIT COMMITTEE

The interim results for the six months ended 31 December 2021 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 2021.

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 meeting of the Company. Certain independent non-executive directors of the Company were unable to attend the annual 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiry has been made with all directors of the Company and the directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2021.

By order of the Board
Oung Shih Hua, James
CHAIRMAN

Hong Kong, 24 February 2022



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months ended 31 December 2021

		Six months ended	
		31 December	
		2021	2020
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	12,231	8,393
Cost of sales		(4,937)	(2,900)
		<hr/>	<hr/>
Gross profit		7,294	5,493
Other income		380	1,419
Other gains and losses	6	(23,267)	(11,997)
Administrative and other operating expenses		(37,430)	(40,725)
		<hr/>	<hr/>
Loss from operations		(53,023)	(45,810)
Finance costs	7	(1,057)	(1,301)
		<hr/>	<hr/>
Loss before tax		(54,080)	(47,111)
Income tax expense	8	–	–
		<hr/>	<hr/>
Loss for the period	9	(54,080)	(47,111)
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		342	3,431
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		342	3,431
		<hr/>	<hr/>
Total comprehensive income for the period		(53,738)	(43,680)
		<hr/> <hr/>	<hr/> <hr/>



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont'd)

For the Six Months ended 31 December 2021

		Six months ended	
		31 December	
	Note	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(50,430)	(42,869)
Non-controlling interests		(3,650)	(4,242)
		<u>(54,080)</u>	<u>(47,111)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(50,182)	(40,338)
Non-controlling interests		(3,556)	(3,342)
		<u>(53,738)</u>	<u>(43,680)</u>
Loss per share			
Basic (<i>HK cents per share</i>)	11	<u>(3.60)</u>	<u>(3.04)</u>
Diluted (<i>HK cents per share</i>)		<u>(3.60)</u>	<u>(3.18)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Non-current assets			
Investment properties	12	539,300	562,800
Property, plant and equipment	13	228,064	231,554
Right-of-use assets		822	1,146
Financial assets at fair value through profit or loss (“FVTPL”)	14	33,608	33,326
Total non-current assets		801,794	828,826
Current assets			
Financial assets at FVTPL	14	–	20,000
Inventories		9,794	3,254
Trade and other receivables	15	9,427	4,994
Bank and cash balances		111,003	141,926
Total current assets		130,224	170,174
Current liabilities			
Trade and other payables	16	15,223	13,963
Contract liabilities		5,247	–
Due to related parties	17	20,669	24,712
Secured bank borrowings	18	84,588	98,645
Convertible notes	19	25,286	25,286
Other borrowings	20	1,853	2,292
Lease liabilities		803	725
Total current liabilities		153,669	165,623
Net current (liabilities)/assets		(23,445)	4,551
Total assets less current liabilities		778,349	833,377



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 31 December 2021

	<i>Note</i>	31 December 2021 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Other borrowings	20	21,830	22,771
Lease liabilities		226	645
Total non-current liabilities		<u>22,056</u>	<u>23,416</u>
NET ASSETS		<u>756,293</u>	<u>809,961</u>
CAPITAL AND RESERVES			
Share capital	21	14,014	14,033
Reserves		768,171	812,622
Equity attributable to owners of the Company		<u>782,185</u>	<u>826,655</u>
Non-controlling interests		(25,892)	(16,694)
TOTAL EQUITY		<u>756,293</u>	<u>809,961</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Treasury share reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2020 (audited)	14,290	192,465	(3,289)	21,766	(1,915)	9,722	58,312	586,430	877,781	(14,536)	863,245
Repurchase of shares	-	-	(452)	-	-	-	-	-	(452)	-	(452)
Transaction costs attributable to repurchase of shares	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Cancellation of shares	(257)	(3,484)	3,741	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	2,531	-	-	(42,869)	(40,338)	(3,342)	(43,680)
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	(1,627)	(1,627)	1,627	-
Changes in equity for the period	(257)	(3,488)	3,289	-	2,531	-	-	(44,496)	(42,421)	(1,715)	(44,136)
At 31 December 2020 (unaudited)	14,033	188,977	-	21,766	616	9,722	58,312	541,934	835,360	(16,251)	819,109

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Treasury share reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Convertible notes reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 July 2021 (audited)	14,033	188,976	(201)	21,766	(1,623)	9,722	58,312	535,670	826,655	(16,694)	809,961
Repurchase of shares	-	-	(34)	-	-	-	-	-	(34)	-	(34)
Cancellation of shares	(19)	(209)	228	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	248	-	-	(50,430)	(50,182)	(3,556)	(53,738)
Capital contribution to non-wholly owned subsidiaries	-	-	-	-	-	-	-	(813)	(813)	813	-
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	6,559	6,559	(6,455)	104
Changes in equity for the period	(19)	(209)	194	-	248	-	-	(44,684)	(44,470)	(9,198)	(53,668)
At 31 December 2021 (unaudited)	14,014	188,767	(7)	21,766	(1,375)	9,722	58,312	490,986	782,185	(25,892)	756,293

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months ended 31 December 2021

	Six months ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(30,270)	(31,605)
Bank interest received	1	3
Purchases of property, plant and equipment	(279)	(231)
Redemption of financial assets at FVTPL	20,000	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	19,722	(228)
Repayment to related parties	(4,043)	(4,525)
Repayment of bank and other borrowings	(14,416)	(1,295)
Other borrowings raised	–	5,742
Principal elements of lease payments	(341)	(1,054)
Repurchase of shares	(34)	(452)
Transaction costs attributable to repurchase of shares	–	(4)
Capital contribution from non-controlling interests of a subsidiary	70	–
Interest paid	(936)	(1,098)
NET CASH USED IN FINANCING ACTIVITIES	(19,700)	(2,686)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(30,248)	(34,519)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	141,926	209,785
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(675)	5,021
CASH AND CASH EQUIVALENTS AT END OF PERIOD	111,003	180,287
Bank and cash balances	111,003	180,287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months ended 31 December 2021

1. GENERAL INFORMATION

Paladin Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Suite 2100, 21st Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are property investment and research and development. The Company and its subsidiaries are collectively referred to as the “Group”.

2. BASIS OF PREPARATION

These 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”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2021 annual consolidated financial statements. The accounting policies (including the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2021.

The Group incurred a loss of approximately HK\$50,430,000 during the six months ended 31 December 2021 and, as of that date, the Group had net current liabilities of approximately HK\$23,445,000. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the condensed consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

- (i) The mortgage loans of approximately HK\$84,588,000 with a repayment on demand clause will be repaid in accordance with the scheduled repayment dates and the banks will not exercise their discretionary rights to demand immediate repayment; and
- (ii) The Group has been implementing various strategies to enhance the Group’s revenue and profitability.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2021. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2021 but they do not have a material effect on the Group's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

4. FAIR VALUE MEASUREMENTS (Cont'd)

(a) Disclosures of level in fair value hierarchy at 31 December 2021:

Description	(Unaudited)			Total HK\$'000
	Fair value measurements as at 31 December 2021 using:			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Financial assets at FVTPL				
– Golf club membership	–	–	9,184	9,184
– Deposit placed for a life insurance policy	–	24,424	–	24,424
	–	24,424	9,184	33,608
Investment properties				
– Tenant occupied office premises/ car parking spaces located in Hong Kong	–	–	287,700	287,700
– Vacant office premises/car parking spaces located in Hong Kong	–	–	251,600	251,600
	–	–	539,300	539,300
Total	–	24,424	548,484	572,908
Financial liabilities at FVTPL				
– 2017 Convertible Notes	–	25,286	–	25,286

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

4. FAIR VALUE MEASUREMENTS (Cont'd)

(a) Disclosures of level in fair value hierarchy at 31 December 2021: (Cont'd)

Description	(Audited)			
	Fair value measurements as at			
	30 June 2021 using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
– Golf club membership	–	–	9,284	9,284
– Deposits placed for life insurance policies	–	44,042	–	44,042
	–	44,042	9,284	53,326
Investment properties				
– Tenant occupied office premises/ car parking spaces located in Hong Kong	–	–	300,200	300,200
– Vacant office premises/car parking spaces located in Hong Kong	–	–	262,600	262,600
	–	–	562,800	562,800
Total	–	44,042	572,084	616,126
Financial liabilities at FVTPL				
– 2017 Convertible Notes	–	25,286	–	25,286

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

4. FAIR VALUE MEASUREMENTS (Cont'd)

(b) Reconciliation of assets measured at fair value based on Level 3:

	Golf club membership		Investment properties	
	Six months ended		Six months ended	
	31 December		31 December	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At beginning of period	9,284	8,644	562,800	592,300
Transfer to property, plant and equipment	–	–	–	(39,000)
Total losses recognised – in profit or loss	(100)	(20)	(23,500)	(20,800)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	9,184	8,624	539,300	532,500
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The total losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains and losses in the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

4. FAIR VALUE MEASUREMENTS (Cont'd)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021:

The Group's Board of Directors is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. For Level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs
Golf club membership	Direct comparison method	Market price of similar golf club membership	N/a	Increase
Investment properties				
– Tenant occupied office premises/car parking spaces located in Hong Kong	Income approach	Term and reversion approach with key inputs of vacant possession value	HK\$24,332 to HK\$25,307 (30 June 2021: HK\$25,387 to HK\$26,409) per sq. ft. on saleable area basis	Increase
– Vacant office premises/ car parking spaces located in Hong Kong	Direct comparison method	Market unit rate of similar properties and applied adjustment rate on difference in location, view floor area, lot size, age and condition of the properties under review	HK\$24,332 to HK\$25,307 (30 June 2021: HK\$25,387 to HK\$26,409) per sq. ft. on saleable area basis	Increase



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

4. FAIR VALUE MEASUREMENTS (Cont'd)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021: (Cont'd)

Level 2 fair value measurements

Description	Valuation technique	Inputs
Deposits placed for life insurance policies	Expected cash flows	Cash value quoted by the insurance companies
2017 Convertible Notes	Discounted cash flows	Expected cash flows are estimated based on underlying share prices (from observable market share price at the end of the reporting period)

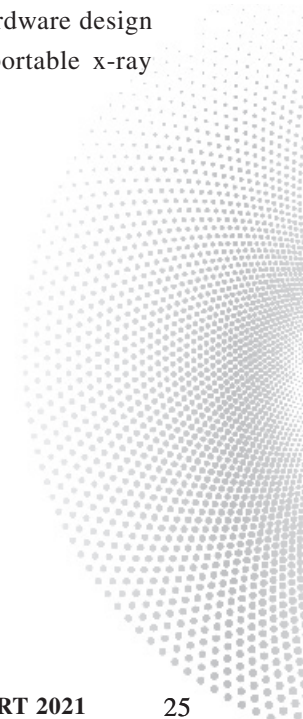
There were no changes in the valuation techniques used.

5. REVENUE AND SEGMENT INFORMATION

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements. The Group's revenue is derived from contracts with customers.

The Group has two operating segments as follows:

- Property investment: rental income from leasing out the properties; and
- Research and development: conducting research and development, software and hardware design for the manufacture and sale of a range of high technology products such as portable x-ray systems, advanced algorithm and software solutions, image sensors etc.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include certain other income, fair value changes of convertible notes and financial assets at FVTPL, unallocated corporate expenses and unallocated finance costs.

	Property investment HK\$'000 (Unaudited)	Research and development HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 31 December 2021:			
Revenue from external customers	<u>4,341</u>	<u>7,890</u>	<u>12,231</u>
Segment loss	<u>(24,361)</u>	<u>(21,893)</u>	<u>(46,254)</u>
Unallocated expenses			(8,129)
Unallocated income			303
Consolidated loss before tax			<u>(54,080)</u>

	Property investment HK\$'000 (Unaudited)	Research and development HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 31 December 2020:			
Revenue from external customers	<u>3,255</u>	<u>5,138</u>	<u>8,393</u>
Segment loss	<u>(22,790)</u>	<u>(27,272)</u>	<u>(50,062)</u>
Unallocated expenses			(6,630)
Unallocated income			9,581
Consolidated loss before tax			<u>(47,111)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Information about operating segment assets and liabilities is not provided to the Chief Executive Officer, being the chief operating decision maker, therefore, segment assets and liabilities are not presented.

Reconciliation of segment loss from operations:

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total loss of reportable segments	(46,254)	(50,062)
Unallocated amounts:		
Other income	21	778
Other gains and losses	282	8,803
Administrative and other operating expenses	(8,129)	(6,609)
Finance costs	–	(21)
	<hr/>	<hr/>
Consolidated loss before tax	(54,080)	(47,111)
	<hr/> <hr/>	<hr/> <hr/>

Geographical information:

The Group's revenue from external customers by location of operations is detailed below:

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	4,341	3,255
Finland	7,890	5,138
	<hr/>	<hr/>
Consolidated total	12,231	8,393
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

6. OTHER GAINS AND LOSSES

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value losses on investment properties (<i>note 12</i>)	(23,500)	(20,800)
Fair value gains on financial assets at FVTPL (<i>note 14</i>)	282	758
Fair value gains on convertible notes (<i>note 19(a)</i>)	–	8,045
Loss on disposal of property, plant and equipment	(49)	–
	<u>(23,267)</u>	<u>(11,997)</u>

7. FINANCE COSTS

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	121	203
Interest on bank borrowings	849	1,031
Interest on other borrowings	75	67
Interest on bank overdrafts	12	–
	<u>1,057</u>	<u>1,301</u>

8. INCOME TAX EXPENSE

No provision for income tax expense is required since the Group has no assessable profit for the six months ended 31 December 2021 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

9. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting) the following:

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	–	368
Bank interest income	(1)	(3)
Cost of inventories sold	4,937	2,900
Depreciation of property, plant and equipment	3,711	3,413
Depreciation of right-of-use assets	328	1,050
	<u> </u>	<u> </u>

10. DIVIDEND

No dividend was paid or proposed by the Group during the six months ended 31 December 2021 (2020: Nil), nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Six months ended	
	31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(50,430)	(42,869)
Fair value gains on convertible notes	–	(8,045)
	<u> </u>	<u> </u>
Loss for the purpose of calculating diluted loss per share	<u>(50,430)</u>	<u>(50,914)</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

11. LOSS PER SHARE (Cont'd)

	Six months ended 31 December	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	1,402,050,592	1,408,349,723
Effect of dilutive potential ordinary shares arising from convertible notes outstanding	–	191,557,498
	<hr/>	<hr/>
Weighted average number of ordinary shares used in diluted loss per share calculation	1,402,050,592	1,599,907,221
	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 31 December 2020 and 2021, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has taken into account the ordinary shares cancelled in August 2020 and August 2021 respectively.

Dilutive loss per share for the six months ended 31 December 2020 did not assume the exercise of share options granted by the Company because there were no dilutive potential ordinary shares for the Company's share options.

As the conversion of the Company's outstanding convertible notes would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, diluted loss per share was same as the basic loss per share for the six months ended 31 December 2021.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

12. INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. An owned property is measured initially at its cost including all direct costs attributable to the property.

The fair value has been arrived at on the basis of a valuation carried out by Messrs. LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer which is not connected to the Group.

The fair value of the investment properties was arrived by using income method and direct comparison method. For income method, it estimates the value of the properties on an open market basis by taking into the account of the current rent receivables from the existing tenancy agreements and the reversionary potential of the property interests by reference to the market sales evidence of commercial comparables around the valuation date and the deferred reversion value. Whereas, direct comparison method is based on market unit rate of similar properties and adjusted to reflect the conditions of the subject properties including property size and property floor level. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair value losses on property revaluation of approximately HK\$23,500,000 (2020: HK\$20,800,000) were recognised in profit or loss for the six months ended 31 December 2021.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired property, plant and equipment of approximately HK\$279,000 (2020: HK\$231,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

14. FINANCIAL ASSETS AT FVTPL

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Golf club membership (<i>note (a)</i>)	9,184	9,284
Deposits placed for life insurance policies (<i>note (b)</i>)	24,424	44,042
	33,608	53,326
Analysed as:		
Current assets	–	20,000
Non-current assets	33,608	33,326
	33,608	53,326

Notes:

(a) Golf club membership

During the six months ended 31 December 2021, the fair value loss of approximately HK\$100,000 (2020: HK\$20,000) was charged to profit or loss.

(b) Deposits placed for life insurance policies

In March 2012, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is World Modern International Limited, a former subsidiary of the Company, and changed to Master Era Limited (“Master Era”), a subsidiary of the Company in 2016, and the total insured sum is US\$10,000,000 (approximately HK\$78,000,000). Master Era was required to pay an upfront deposit of US\$2,806,000 (approximately HK\$21,887,000) including a premium charge at inception of the policy amounting to US\$168,000 (approximately HK\$1,310,000). Master Era can terminate the policy at any time and receive cash value of the policy at the date of withdrawal, which is determined by the upfront payment of US\$2,806,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge (“Cash Value”). In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge. The insurance company will pay Master Era an interest of 4.65% per annum on the outstanding Cash Value of the policy for the first year. Commencing on the 2nd year, the interest will be a variable return with minimum guaranteed interest rate of 2% per annum by the insurance company on an annual basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

14. FINANCIAL ASSETS AT FVTPL (Cont'd)

Notes: (Cont'd)

(b) Deposits placed for life insurance policies (Cont'd)

In September 2016, the Group entered into a life insurance policy with an insurance company to insure an executive director. Under the policy, the beneficiary and policy holder is East Top (Hong Kong) Limited ("East Top"), a subsidiary of the Company, and the total insured sum is HK\$20,000,000. East Top is required to pay an upfront deposit of approximately HK\$16,945,000 including a premium charge at inception of the policy amounting to HK\$8,610,000. East Top can terminate the policy at any time and receive cash value of the policy at the date of withdrawal, which is determined by the remaining balance of insurance charge and interest (if any) plus pre-determined guarantee cash back amount as at the end of each policy year. As at 31 December 2021, the deposit was fully redeemed.

During the six months ended 31 December 2021, the fair value gains of approximately HK\$382,000 (2020: HK\$778,000) was credited to profit or loss.

As at 30 June 2021, the carrying amount of a deposit placed for a life insurance policy pledged as security for certain bank borrowings amounted to approximately HK\$20,000,000.

15. TRADE AND OTHER RECEIVABLES

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Trade receivables	3,865	1,619
Other receivables	2,980	1,509
Deposits	936	1,095
Prepayments	1,646	771
	<hr/> 9,427 <hr/>	<hr/> 4,994 <hr/>

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
0 – 90 days	<hr/> 3,865 <hr/>	<hr/> 1,619 <hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

16. TRADE AND OTHER PAYABLES

	31 December	30 June
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	2,655	747
Accruals	5,943	7,179
Rental deposits received	3,969	3,969
Other payables	2,656	2,068
	<hr/>	<hr/>
	15,223	13,963
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	31 December	30 June
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 90 days	2,655	747
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

17. DUE TO RELATED PARTIES

	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Gold Seal Holdings Limited	19,979	24,029
Cityguard Holdings Limited	437	437
Oung Da Ming	253	246
	<hr/>	<hr/>
	20,669	24,712
	<hr/> <hr/>	<hr/> <hr/>

The related parties are immediate shareholders of the Company. The amounts due are unsecured, interest-free and repayable on demand.

18. SECURED BANK BORROWINGS

	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Revolving loan	–	12,691
Mortgage loans	84,588	85,954
	<hr/>	<hr/>
	84,588	98,645
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

18. SECURED BANK BORROWINGS (Cont'd)

The secured bank borrowings are repayable as follows:

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Within one year	2,717	15,434
More than one year, but not exceeding two years	2,769	2,793
More than two years, but not more than five years	8,627	8,690
More than five years	70,475	71,728
	<hr/>	<hr/>
	84,588	98,645
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	(81,871)	(83,211)
	<hr/>	<hr/>
	2,717	15,434
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,717)	(15,434)
	<hr/>	<hr/>
Amount due for settlement after 12 months	-	-
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2021, mortgage loans with an outstanding amount of approximately HK\$84,588,000 (30 June 2021: HK\$85,954,000) shall be repayable by remaining 293 (30 June 2021: 299) monthly instalments and carries interest at a rate of 1.75% (30 June 2021: 1.75%) per annum over Hong Kong Interbank Offer Rate.

At 31 December 2021, the weighted average interest rate of the Group's bank borrowings was 1.91% (30 June 2021: 1.79%) per annum.

All bank borrowings are secured by the Group's assets. The details of pledged assets are disclosed in note 23.

19. CONVERTIBLE NOTES

(a) 2017 Convertible Notes

On 31 October 2017, the Company announced a proposed open offer of unsecured zero coupon participating convertible notes due 2024 in denominations of HK\$0.25 principal amount each, to be issued at face value, on the basis of assured allotments of one convertible note, with the share alternative of one new ordinary share, at a subscription price of HK\$0.25, for every five existing ordinary shares held (the “2017 Convertible Notes”). In December 2017, the Company issued an aggregate of 181,313,569 convertible notes and 25,774,298 ordinary shares in assured allotments for which valid applications were received and a further 12,894,970 convertible notes and 51,731,337 ordinary shares for which valid applications were received. In total, 194,208,539 unsecured zero coupon participating convertible notes and 77,505,635 ordinary shares were issued in the open offer and gross proceeds of approximately HK\$48,552,000 and HK\$19,376,000 were received, respectively.

2017 Convertible Notes bears no interest and matures on 23 November 2024. The convertible notes are convertible into ordinary shares of the Company at the option of the noteholders at any time from the issue date up to the close of business on the tenth last day preceding the maturity date at an initial conversion price of HK\$0.25 each, subject to anti-dilutive adjustments. These convertible notes are denominated in Hong Kong dollars. Please refer to the Company’s offering document dated 28 November 2017 for the details of these terms of the 2017 Convertible Notes. Below is a summary of principal terms of convertible notes.

(i) *Conversion option exercisable by the noteholders*

At any time from issue date up to the close of business on the tenth last day preceding the maturity date of the convertible notes, the Company will be issuing a fixed number of the Company’s ordinary shares (subject to anti-dilutive adjustments) upon such conversion.

(ii) *Distributions*

The convertible notes entitle the noteholders to participate in dividends and/or distributions made to ordinary shareholders.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

19. CONVERTIBLE NOTES (Cont'd)

(a) 2017 Convertible Notes (Cont'd)

(iii) *Cash settlement option*

Notwithstanding the conversion right of each noteholder in respect of each convertible note, at any time when the delivery of shares deliverable upon conversion of notes is required to satisfy the conversion right, the Company has the option to settle the conversion option in cash at the cash settlement amount (as defined below). If and to the extent that the issue of new ordinary shares upon conversion of the convertible notes will cause the public float of the ordinary shares to fall below the minimum prescribed percentage required under the Listing Rules, the Company shall pay to the relevant noteholder an amount of cash equal to the cash settlement amount in order to satisfy such conversion right.

The cash settlement amount is the product of (i) the number of ordinary shares otherwise deliverable upon exercise of the conversion right in respect of those convertible notes for which the Company has elected the cash settlement option and (ii) the arithmetic average of the volume weighted average price of the ordinary shares for each business day during the five business days last preceding the date of the relevant notice of conversion.

(iv) *Redemption at the option of the Company*

At any time after issue and prior to the day that is five business days prior to the maturity date, the Company may redeem all the 2017 Convertible Notes at the early redemption amount (as defined below).

The early redemption amount is the product of (i) the number of ordinary shares deliverable upon exercise of the conversion rights in respect of those convertible notes then outstanding and (ii) the arithmetic average of the volume weighted average price of the ordinary shares for each business day during the sixty business days ending on date of the notice from the Company electing to redeem all the 2017 Convertible Notes on the redemption date specified therein.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

19. CONVERTIBLE NOTES (Cont'd)

(a) 2017 Convertible Notes (Cont'd)

(v) Automatic conversion on maturity

On the maturity date, all the outstanding 2017 Convertible Notes will automatically be converted into ordinary shares (subject to anti-dilutive adjustments). Notwithstanding the automatic conversion of all outstanding convertible notes on the maturity date, in the event that automatic conversion of all outstanding 2017 Convertible Notes on the maturity date will cause the public float of the ordinary shares to fall below the minimum prescribed percentage required under the Listing Rules, the Company shall redeem the 2017 Convertible Notes by paying to the relevant noteholders an amount of cash at the redemption amount (as defined below).

The redemption amount is the product of (i) the number of ordinary shares deliverable upon exercise of the conversion rights in respect of the 2017 Convertible Notes then outstanding and (ii) HK\$0.25.

Since the Company has contractual obligation to deliver cash to the noteholders in the event of breach of public float requirement under the Listing Rules upon conversion of convertible notes, it results in the classification as financial liabilities and classified as current liabilities as the event of the above said breach is out of the Company's control. Accordingly, the Directors designated the entire 2017 Convertible Notes as FVTPL with subsequent changes in fair value recognised in profit or loss.

The fair values of the 2017 Convertible Notes were determined by management, which approximate the cash settlement amount as calculated based on the formula as described in section (iii) above. Key inputs are as follows:

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Share price (per share)	HK\$0.132	HK\$0.132
No. of shares convertible	191,557,498	191,557,498

Change in fair value of approximately HK\$8,045,000 was credited to "other gains and losses" in profit or loss during the six months ended 31 December 2020.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

19. CONVERTIBLE NOTES (Cont'd)

(b) 2014 Convertible Notes

On 26 September 2014, the Company announced a proposed open offer of unsecured zero coupon participating convertible notes due 2024 in denominations of HK\$0.25 principal amount each, to be issued at face value, on the basis of assured allotments of one convertible note, with the share alternative of one new ordinary share at an open offer of HK\$0.25, for every two existing ordinary shares held (the “2014 Convertible Notes”). In November 2014, the Company issued an aggregate of 275,934,673 convertible notes and 41,236,560 ordinary shares in assured allotments for which valid applications were received. In December 2014, the Company issued a further 33,051,228 convertible notes and 117,839,783 ordinary shares for which valid applications were received on excess application forms. In total, 308,985,901 unsecured zero coupon participating convertible notes and 159,076,343 ordinary shares were issued in the open offer.

Details of major terms and conditions of the convertible notes are set out in the announcement in respect of the open offer of convertible notes with an ordinary share alternative dated 28 October 2014.

The conversion price of the 2014 Convertible Notes was adjusted to HK\$0.24 with effective from 13 November 2017 as a result of the issuance of 2017 Convertible Notes.

As at 31 December 2021, the outstanding number of the 2014 Convertible Notes is 52,104,172 (30 June 2021: 52,104,172).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

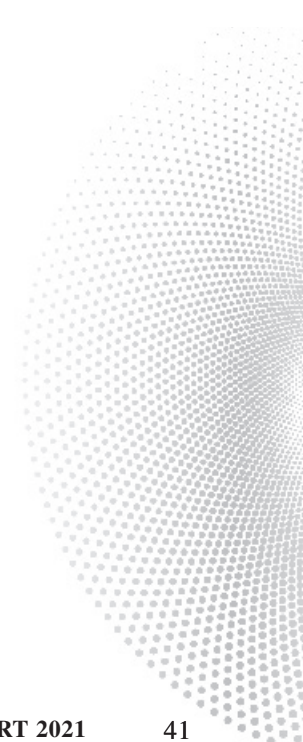
20. OTHER BORROWINGS

	31 December 2021 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Audited)
Unsecured loans	23,683	25,063
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,853)	(2,292)
	<hr/>	<hr/>
Amount due for settlement after 12 months	21,830	22,771
	<hr/> <hr/>	<hr/> <hr/>

The effective interest rates were as follows:

	31 December 2021 (Unaudited)	30 June 2021 (Audited)
Other borrowings	0% – 1%	0% – 1%
	<hr/> <hr/>	<hr/> <hr/>

Other borrowings of approximately HK\$21,830,000 (30 June 2021: HK\$22,771,000) are repayable by instalments from 2023 to 2028 (30 June 2021: 2023 to 2028) and carry interest at a rate of 1% per annum set by the Finland Finance Ministry.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2020, 30 June 2021, 1 July 2021 and 31 December 2021	50,000,000,000	500,000
Issued and fully paid:		
At 1 July 2020 (audited)	1,429,037,549	14,290
Cancellation of shares repurchased in 2020 (<i>note (a)</i>)	(25,720,000)	(257)
At 30 June 2021 (audited) and 1 July 2021	1,403,317,549	14,033
Cancellation of shares repurchased in current period (<i>note (b)</i>)	(1,880,000)	(19)
At 31 December 2021 (unaudited)	1,401,437,549	14,014

Notes:

- (a) During the year ended 30 June 2021, the Company repurchased 4,215,000 ordinary shares through the Stock Exchange at a total consideration of approximately HK\$653,000. A total of 25,720,000 ordinary shares were cancelled in August 2020.
- (b) During the six months ended 31 December 2021, the Company repurchased 260,000 ordinary shares through the Stock Exchange at a total consideration of approximately HK\$34,000. A total of 1,880,000 ordinary shares were cancelled in August 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

22. SHARE-BASED PAYMENTS

The Company has adopted a share option scheme to grant share options to eligible participants, including the executive directors of the Company. Details of the share option scheme were disclosed in the Group's consolidated financial statements for the year ended 30 June 2021.

Details of the specific categories of options are as follows:

Date of grant	Exercisable period	Exercise price per share at date of grant HK\$	Adjusted exercise price per share HK\$
30.05.2016	30.05.2016 to 29.05.2026	0.335	0.321
23.06.2017	23.06.2017 to 22.06.2027	0.305	0.296
09.11.2018	09.11.2018 to 08.11.2028	0.179	N/A

Details of the movement of share options during the period are as follows:

	(Unaudited)			
	Six months ended 31 December		2020	
	2021	Weighted average exercise price HK\$	2020	Weighted average exercise price HK\$
	Number of share options		Number of share options	
Outstanding at beginning and end of period	397,721,900	0.268	397,721,900	0.268
Exercisable at end of period	397,721,900	0.268	397,721,900	0.268

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 5.56 years (30 June 2021: 6.06 years) and the exercise prices range from HK\$0.179 to HK\$0.321 (30 June 2021: HK\$0.179 to HK\$0.321).

No share options were granted during the six months ended 31 December 2020 and 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the Six Months ended 31 December 2021

23. PLEDGED OF ASSETS

At the end of the reporting period, the following assets of the Group were pledged to secured credit facilities granted to the Group:

	31 December 2021 <i>HK\$'000</i> (Unaudited)	30 June 2021 <i>HK\$'000</i> (Audited)
Deposit placed for a life insurance policy	–	20,000
Leasehold land and buildings	184,358	186,493
	<u>184,358</u>	<u>206,493</u>

24. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the period:

	Six months ended 31 December 2021 <i>HK\$'000</i> (Unaudited)		2020 <i>HK\$'000</i> (Unaudited)
Service fee paid to a related company (<i>note (a)</i>)	211		185
Compensation of key management personnel (<i>note (b)</i>)	2,513		2,202
	<u>2,513</u>		<u>2,202</u>

Notes:

- (a) One of the directors of the Company and his close family member have beneficial and controlling interests in the related company.
- (b) Key management personnel of the Company are comprised of the directors of the Company.

The remuneration of directors are determined by the Board of Directors after recommendation from the remuneration committee, having regard to the responsibilities of the directors, the operating results, individual performance and comparable market statistics.

25. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 February 2022.