

# PALADIN LIMITED

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



**2022**

Interim Report

For the six months ended  
31 December 2022

# 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 decreased by approximately 35% to approximately HK\$8 million for the six months ended 31 December 2022 compared to the same period last year, and recorded a loss of approximately HK\$20 million as compared to a loss of approximately HK\$54 million for the corresponding period in 2021.

### Properties investment

Rental income of the Group for the six months ended 31 December 2022 generated from its investment properties amounted to approximately HK\$4 million (2021: HK\$4 million).

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

### Development of high technology products

As the world opens up after years of COVID-19's restrictions, we are optimistic things will return to normal soon. We are also mindful of inflationary and possible recessionary effect on our businesses as we continue to watch the economy unfolds around different regions in the world. The chips and technology sanctions enacted last year certainly doesn't help with our business outlook, however, we continued to move forward and make progress during the period under review in the Group's development of next generation technology for a number of 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 40 research and development engineers. To date, the Group working together with the Finnish Funding Agency for Technology and Innovation, have invested around HK\$146 million and further substantial investment is anticipated in the coming years. It is expected that as we mature, the 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 2027, our technology division will generate a revenue of US\$48 million. We are encouraged that governments around the world are encouraging and supporting technological innovations and we are hopeful for a semi-conductor boom in the coming years.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

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

Pexray Oy – a non-wholly owned subsidiary, 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 counterintelligence 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 2022 was approximately HK\$4 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.

In fiscal year 2021/2022 majority of sales was made with these products.

- 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 2021-2022 to support products and to meet customer demand.

Pexray Oy released a novel battery operated, portable X-ray source in 2022. First shipments were made in April 2022. The new generator is a complimentary product for both Security and NDT markets. The generator can also be sold as a stand-alone product in NDT market. We expect this to support our sales in fiscal year 2022-2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Navigs Oy – a non-wholly owned subsidiary, 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 Tiny, IPESSA Nano, IPESSA Yaw Bar and IPESSA RTK-VINS.

- IPESSA Tiny is a low-cost positioning device for many typical autonomous vehicles in such applications as precision farming and delivery robots. Tiny is based on dual-antenna satellite receiver and inertial sensing. Prototypes were completed in early 2021. Piloting with chosen customers was delayed due to global chip shortages, but was completed during the first half of 2022 in Finland, in Europe and Turkey. Sales quantities were smaller than initially estimated during 2022. The volume production is estimated to start during 2023.
- 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 a dual-antenna satellite receiver and inertial measurement unit. Otherwise, IPESSA Nano is a compromised solution with less features than IPESSA Tiny. IPESSA Nano prototype hardware and mechanics were produced late 2021, but due to lack of engineering resources the software development was delayed. Prototypes were nearly finished late 2022, but due to component shortages some communication interface functionalities were not finalized yet. Volume production is estimated to start during the second half of 2023.
- IPESSA Yaw Bar is a high-performance positioning device, designed especially for Marine applications. It features a fiber optic gyroscope (FOG) for high precision orientation sensing. The FOG is used for GNSS independent North Finding, which is a required functionality in certain marine use cases. Otherwise, IPESSA Yaw bar is based on similar GNSS receivers and inertial sensor as IPESSA Tiny and Nano. International Maritime Organization (IMO) does not yet accept RTK corrections for marine vessels yet. Therefore, target market in the beginning is all non-SOLAS vessels, such as fishing and utility vessels. Prototypes are supposed to be finished during quarter 2-quarter 3 2023 and customer pilots are expected to continue until early 2024.
- IPESSA RTK-VINS is a positioning solution combining same technology as with IPESSA Tiny and Nano, together with visual inertial navigation system (VINS). This provides good positioning performance and high robustness in GNSS restricted applications, where GNSS signals are frequently unavailable, or distorted. RTK-VINS is targeted to many UGV and AGV applications where the vehicles are working in e.g., indoor-outdoor environments. IPESSA RTK-VINS is developed jointly together with Dynim Oy. Prototypes and customer pilots planned to be run during first half of 2023. Mass production is estimated to be started during 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Dynim Oy – a non-wholly owned subsidiary, 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 product in 2022 was rugged stereo camera with versions of different stereo base line for indoor and outdoor applications.

- Rugged stereo camera is for heavy duty industrial applications such as mining and earthmoving machinery. Evaluation testing with pilot customer continues in 2023. Customer had major stakeholder event in September 2022 where Dynim's camera was important part of the announced customer's product.

New project for 2023 is in planning with pilot customer concentrating on implementing customer's AI application utilizing the edge computing resources in Dynim's camera product.

Component availability challenges caused significant delays in product manufacturing in 2022 thus limiting Dynim's sales activities and customer testing. For 2023 manufacturing Dynim has prepared material stock for one hundred camera units.

- Development of visual-inertial navigation product with third party software partner took major steps in 2H 2022 and will be finalized during 1H 2023. Proof-of-concept will be ready Q1 2023 for customer testing. Dynim has several sales leads interested in the visual navigation product.
- 2023 new product development will be based on Nvidia's embedded computing platforms that will enable more advanced sensor fusion and camera applications. New development projects include solution for visual positioning system (VPS) and cost optimized single AI camera for aerial drones. New developments expanding the sensor fusion with Dynim's camera products include time-of-flight (ToF) sensor.

## MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Imagica Technology Inc. – a non-wholly owned subsidiary, based in Vancouver, Canada. This company has developed a series of linear array image sensors for spectroscopy, and document scanners, and is currently developing sensors used for several security and machine vision applications using advanced 3D processes. The status of primary products is as follows:

ITC576 – Contact image sensor:

- The product released exceeds the nearest competitor in performance (Toshiba 1200 DPI/600 DPI product). Sample shipments to customers are starting up.

ITM – Machine vision modules:

- Using the ITC576 but packaged in a high-performance form for high-speed imaging. Design ready to go to manufacturing.

ITA – 2K high-performance sensor – area sensor with global shutter using advanced processes:

- Design is completed. The team has been refining the design until we can tape it out in April 2023.

Skyin Technology Limited – a non-wholly owned subsidiary, based in Shanghai, the PRC. The company has developed a number of 3D industrial cameras, 3D industrial vision software, and AI-based industrial vision application solutions. We communicated with many domestic food processing, steel and other enterprises as well as foreign customers such as Vietnam, to provide solutions and consultation.

However, due to the COVID-19 pandemic and market changes, the company's products and business development have been greatly affected.

1. Due to the COVID-19 epidemic, business trip and on-site communication were seriously affected, and the projects were interrupted due to poor communication.
2. Affected by the economic situation, many enterprises reduce or postpone the application of new technologies, resulting in reduced market demand.
3. Due to the personalized characteristics of industrial vision, both product development and system integration need at least dozens of people or larger scale R&D and technical support team, which is difficult for a company with several people. Greater capital investment is required, leading to more concentrated competition in the industrial vision industry.

Currently, we are engaged in technical pre-research and market research. We have completed more than 10 market research reports, such as GNSS, industrial vision and fiber optic gyroscope, to provide decision-making reference for the group.

# **MANAGEMENT DISCUSSION AND ANALYSIS** (Cont'd)

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

As at 31 December 2022, net current liabilities of the Group were approximately HK\$65 million. The current ratio was 0.54. The bank and cash balances were approximately HK\$65 million.

As at 31 December 2022, the Group has outstanding liabilities of approximately HK\$155 million comprising (i) trade and other payables of approximately HK\$14 million, (ii) amounts due to related parties of approximately HK\$19 million, (iii) bank loans of approximately HK\$82 million, (iv) convertible notes of approximately HK\$17 million and (v) other liabilities of approximately HK\$23 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\$180 million.

The Group's gearing ratio as determined by total debt divided by total assets was approximately 18.09%.

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

During the six months ended 31 December 2022, the Group had no material acquisitions and disposals of subsidiaries.

As at 31 December 2022, the Group had no material investment.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2022, the Group employed a total of 56 employees. They were remunerated according to market conditions.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, 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 2022.



# DIRECTORS' REPORT

## DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, 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 2022, 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.

## DIRECTORS' REPORT (Cont'd)

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, 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 (Note a)	Interest of a controlled corporation	508,848,531	–	–	508,848,531	36.31%
Cityguard Holdings Limited (Note b)	Beneficial owner	508,848,531	–	–	508,848,531	36.31%
Five Star Investments Limited (Note c)	Interest of a controlled corporation	508,848,531	–	–	508,848,531	36.31%
Gold Seal Holdings Limited (Note d)	Beneficial owner	309,388,211	–	228,605,681	537,993,892	38.39%
Next Level Corporate Limited (Note e)	Other (Note e)	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 (Note a)	508,848,531	–	–	508,848,531	36.31%
	Interest of a controlled corporation (Note d)	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 (Note d)	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 2022, 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 01.07.2022	Number of Options				Outstanding as at 31.12.2022	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				
<b>Directors</b>									
<b>Oung Shih Hua, James</b>	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
<b>Chan Chi Ho</b>	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
<b>Yuen Chi Wah</b>	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
<b>Substantial shareholders</b>									
<b>Oung Da Ming</b>	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
<b>Hsu Ong Hsiao Ling</b>	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 01.07.2022	Number of Options				Outstanding as at 31.12.2022	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 2022, 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 2022, aggregate revenue attributable to the Group's largest and five largest customers accounted for 46% and 77% of the Group's total revenue respectively. For the six months ended 31 December 2022, purchases from the Group's largest and five largest suppliers accounted for 58% and 84% 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 2022.

## DIRECTORS' REPORT (Cont'd)

### 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 2022, all net proceeds had been used by the Group.

	<b>Proposed use of proceeds <i>HK\$'000</i></b>	<b>Relocation on 16 December 2021</b>	<b>Amount utilised up to 31 December 2022 <i>HK\$'000</i></b>	<b>Unused proceeds as at 31 December 2022 <i>HK\$'000</i></b>
• General working capital	–	46,800	(46,800)	–
• 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>(63,200)</u>	<u>–</u>

### AUDIT COMMITTEE

The interim results for the six months ended 31 December 2022 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 2022.

## **DIRECTORS' REPORT** (Cont'd)

### **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:

- under code provision C.1.6 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 C.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.

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 2022.

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

Hong Kong, 27 February 2023

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

For the six months ended 31 December 2022

	Note	Six months ended	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	5	<b>7,954</b>	12,231
Cost of sales		(2,581)	(4,937)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>5,373</b>	7,294
Other income		712	380
Other gains and losses	6	3,393	(23,267)
Administrative and other operating expenses		(27,684)	(37,430)
		<hr/>	<hr/>
<b>Loss from operations</b>		<b>(18,206)</b>	(53,023)
Finance costs	7	(1,845)	(1,057)
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(20,051)</b>	(54,080)
Income tax expense	8	–	–
		<hr/>	<hr/>
<b>Loss for the period</b>	9	<b>(20,051)</b>	(54,080)
		<hr/>	<hr/>
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(421)	342
		<hr/>	<hr/>
<b>Other comprehensive income for the period, net of tax</b>		<b>(421)</b>	342
		<hr/>	<hr/>
<b>Total comprehensive income for the period</b>		<b>(20,472)</b>	(53,738)
		<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 31 December 2022

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		<b>(17,429)</b>	(50,430)
Non-controlling interests		<b>(2,622)</b>	(3,650)
		<hr/>	<hr/>
		<b>(20,051)</b>	(54,080)
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income for the period</b>			
<b>attributable to:</b>			
Owners of the Company		<b>(17,664)</b>	(50,182)
Non-controlling interests		<b>(2,808)</b>	(3,556)
		<hr/>	<hr/>
		<b>(20,472)</b>	(53,738)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share</b>			
	11		
Basic ( <i>HK cents per share</i> )		<b>(1.24)</b>	(3.60)
		<hr/>	<hr/>
Diluted ( <i>HK cents per share</i> )		<b>(1.24)</b>	(3.60)
		<hr/> <hr/>	<hr/> <hr/>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2022 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Investment properties	12	524,200	527,400
Property, plant and equipment	13	220,507	224,047
Right-of-use assets		165	496
Financial assets at fair value through profit or loss ("FVTPL")	14	35,364	34,709
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>780,236</b>	<b>786,652</b>
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		4,593	4,725
Trade and other receivables	15	6,201	5,666
Bank and cash balances		64,806	86,673
		<hr/>	<hr/>
<b>Total current assets</b>		<b>75,600</b>	<b>97,064</b>
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	16	13,732	13,451
Contract liabilities		82	52
Due to related parties	17	19,127	19,849
Secured bank borrowings	18	82,190	83,230
Convertible notes	19	17,049	22,987
Other borrowings	20	7,993	4,982
Lease liabilities		227	651
Current tax liabilities		92	92
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>140,492</b>	<b>145,294</b>
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(64,892)</b>	<b>(48,230)</b>
		<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 31 December 2022

		31 December 2022 <i>HK\$'000</i> (Unaudited)	30 June 2022 <i>HK\$'000</i> (Audited)
<b>Total assets less current liabilities</b>		<b>715,344</b>	738,422
<b>Non-current liabilities</b>			
Other borrowings	20	<u>14,371</u>	<u>16,977</u>
<b>NET ASSETS</b>		<b><u>700,973</u></b>	<b><u>721,445</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	<b>14,014</b>	14,014
Reserves		<b><u>716,470</u></b>	<u>735,063</u>
Equity attributable to owners of the Company		<b>730,484</b>	749,077
Non-controlling interests		<b><u>(29,511)</u></b>	<u>(27,632)</u>
<b>TOTAL EQUITY</b>		<b><u>700,973</u></b>	<b><u>721,445</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2022

	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	-	-	-	-	-	-	-	-
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
Total comprehensive income for the period	-	-	-	-	248	-	-	(50,430)	(50,182)	(3,556)	(53,738)
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

	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 2022 (audited)	14,014	188,767	(16)	21,766	(1,066)	9,722	58,312	457,578	749,077	(27,632)	721,445
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	(929)	(929)	929	-
Total comprehensive income for the period	-	-	-	-	(235)	-	-	(17,429)	(17,664)	(2,808)	(20,472)
Changes in equity for the period	-	-	-	-	(235)	-	-	(18,358)	(18,593)	(1,879)	(20,472)
At 31 December 2022 (unaudited)	14,014	188,767	(16)	21,766	(1,301)	9,722	58,312	439,220	730,484	(29,511)	700,973

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2022

	Six months ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(17,577)</b>	<b>(30,270)</b>
Bank interest received	25	1
Purchases of property, plant and equipment	(385)	(279)
Derecognition of financial assets at FVTPL	–	20,000
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(360)</b>	<b>19,722</b>
Repayment to related parties	(722)	(4,043)
Repayment of bank and other borrowings	(1,040)	(14,416)
Principal elements of lease payments	(423)	(341)
Repurchase of shares	–	(34)
Capital contribution from non-controlling interests of a subsidiary	–	70
Interest paid	(1,758)	(936)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(3,943)</b>	<b>(19,700)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,880)</b>	<b>(30,248)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>86,673</b>	<b>141,926</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>13</b>	<b>(675)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>64,806</b>	<b>111,003</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	64,806	111,003

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2022

## 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 2022 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and 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 2022.

The Group incurred a loss of approximately HK\$20,051,000 during the six months ended 31 December 2022 and, as of that date, the Group had net current liabilities of approximately HK\$64,892,000. These conditions indicate the existence of a 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\$82,190,000 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 2022

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

The accounting policies applied in these condensed 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 2022. 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 2022 but they do not have a material effect on the Group's condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2022 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 2022

## 4. FAIR VALUE MEASUREMENTS (Cont'd)

### (a) Disclosures of level in fair value hierarchy at 31 December 2022:

Description	(Unaudited)			
	Fair value measurements as at			
	31 December 2022 using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at FVTPL				
– Golf club membership	–	–	10,284	10,284
– Deposit placed for a life insurance policy	–	25,080	–	25,080
	–	25,080	10,284	35,364
Investment properties				
– Tenant occupied office premises/ car parking spaces located in Hong Kong	–	–	279,700	279,700
– Vacant office premises/car parking spaces located in Hong Kong	–	–	244,500	244,500
	–	–	524,200	524,200
<b>Total</b>	–	25,080	534,484	559,564
Financial liabilities at FVTPL				
– 2017 Convertible Notes	–	17,049	–	17,049

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

For the six months ended 31 December 2022

## 4. FAIR VALUE MEASUREMENTS (Cont'd)

### (a) Disclosures of level in fair value hierarchy at 31 December 2022: (cont'd)

Description	(Audited)			
	Fair value measurements as at			
	30 June 2022 using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Recurring fair value measurements:</b>				
Financial assets at FVTPL				
– Golf club membership	–	–	9,984	9,984
– Deposit placed for a life insurance policy	–	24,725	–	24,725
	–	24,725	9,984	34,709
Investment properties				
– Tenant occupied office premises/ car parking spaces located in Hong Kong	–	–	281,300	281,300
– Vacant office premises/car parking spaces located in Hong Kong	–	–	246,100	246,100
	–	–	527,400	527,400
<b>Total</b>	–	24,725	537,384	562,109
Financial liabilities at FVTPL				
– 2017 Convertible Notes	–	22,987	–	22,987



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

For the six months ended 31 December 2022

## 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	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At beginning of period	<b>9,984</b>	9,284	<b>527,400</b>	562,800
Total gains/(losses) recognised				
– in profit or loss	<b>300</b>	(100)	<b>(3,200)</b>	(23,500)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	<b>10,284</b>	9,184	<b>524,200</b>	539,300
	<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 2022

## 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 2022:

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\$23,684 to HK\$24,631 (30 June 2022: HK\$23,796 to HK\$24,756) 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\$23,684 to HK\$24,631 (30 June 2022: HK\$23,796 to HK\$24,756) per sq. ft. on saleable area basis	Increase

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

For the six months ended 31 December 2022

## 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 2022: (Cont'd)

#### *Level 2 fair value measurements*

Description	Valuation technique	Inputs
Deposit placed for a life insurance policy	Expected cash flows	Cash value quoted by the insurance company
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 2022

### 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, certain other gains and losses and unallocated corporate expenses.

	<b>Property investment HK\$'000 (Unaudited)</b>	<b>Research and development HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Six months ended 31 December 2022:			
Revenue from external customers	<b>3,690</b>	<b>4,264</b>	<b>7,954</b>
Segment loss	<b>(5,798)</b>	<b>(15,396)</b>	<b>(21,194)</b>
Unallocated expenses			<b>(5,600)</b>
Unallocated income			<b>6,743</b>
Consolidated loss before tax			<b>(20,051)</b>
	<b>Property investment HK\$'000 (Unaudited)</b>	<b>Research and development HK\$'000 (Unaudited)</b>	<b>Total HK\$'000 (Unaudited)</b>
Six months ended 31 December 2021:			
Revenue from external customers	4,341	7,890	12,231
Segment loss	(24,361)	(21,893)	(46,254)
Unallocated expenses			(8,129)
Unallocated income			303
Consolidated loss before tax			(54,080)

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

For the six months ended 31 December 2022

## 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total loss of reportable segments	(21,194)	(46,254)
Unallocated amounts:		
Other income	150	21
Other gains and losses	6,593	282
Administrative and other operating expenses	(5,600)	(8,129)
	<hr/>	<hr/>
Consolidated loss before tax	(20,051)	(54,080)
	<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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	3,690	4,341
Finland	4,227	7,890
Others	37	–
	<hr/>	<hr/>
Consolidated total	7,954	12,231
	<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 31 December 2022

### 6. OTHER GAINS AND LOSSES

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value losses on investment properties (note 12)	(3,200)	(23,500)
Fair value gains on financial assets at FVTPL (note 14)	655	282
Fair value gains on convertible notes	5,938	–
Loss on disposal of property, plant and equipment	–	(49)
	<u>3,393</u>	<u>(23,267)</u>

### 7. FINANCE COSTS

	Six months ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	47	121
Interest on bank borrowings	1,705	849
Interest on other borrowings	87	75
Interest on bank overdrafts	6	12
	<u>1,845</u>	<u>1,057</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 2022 (2021: Nil).

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

For the six months ended 31 December 2022

## 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	(25)	(1)
Cost of inventories sold	2,581	4,937
Depreciation of property, plant and equipment	3,896	3,711
Depreciation of right-of-use assets	330	328
	<u>          </u>	<u>          </u>

## 10. DIVIDEND

No dividend was paid or proposed by the Group during the six months ended 31 December 2022 (2021: Nil), nor has any dividend been proposed since the end of the reporting period.

## 11. LOSS PER SHARE

### Basic loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$17,429,000 (six months ended 31 December 2021: HK\$50,430,000) and the weighted average number of ordinary shares of approximately 1,401,437,549 (six months ended 31 December 2021: 1,402,050,592).

For the six months ended 31 December 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 2021.

### Diluted loss per share

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 2022 and 2021.

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

*For the six months ended 31 December 2022*

### **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\$3,200,000 (2021: HK\$23,500,000) were recognised in profit or loss for the six months ended 31 December 2022.

### **13. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 31 December 2022, the Group acquired property, plant and equipment of approximately HK\$385,000 (2021: HK\$279,000).



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

For the six months ended 31 December 2022

## 14. FINANCIAL ASSETS AT FVTPL

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Golf club membership ( <i>note (a)</i> )	<b>10,284</b>	9,984
Deposit placed for a life insurance policy ( <i>note (b)</i> )	<b>25,080</b>	24,725
	<hr/> <b>35,364</b> <hr/>	<hr/> 34,709 <hr/>

*Notes:*

(a) Golf club membership

During the six months ended 31 December 2022, the fair value gain (2021: loss) of approximately HK\$300,000 (2021: HK\$100,000) was credited (2021: charged) to profit or loss.

(b) Deposit placed for a life insurance policy

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.

During the six months ended 31 December 2022, the fair value gain of approximately HK\$355,000 (2021: HK\$382,000) was credited to profit or loss.

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

For the six months ended 31 December 2022

### 15. TRADE AND OTHER RECEIVABLES

	<b>31 December</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Trade receivables	1,857	1,621
Other receivables	2,444	2,231
Deposits	1,076	1,137
Prepayments	824	677
	<hr/>	<hr/>
	<b>6,201</b>	<b>5,666</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31 December</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
0-90 days	1,769	1,436
91-180 days	88	185
	<hr/>	<hr/>
	<b>1,857</b>	<b>1,621</b>
	<hr/> <hr/>	<hr/> <hr/>

### 16. TRADE AND OTHER PAYABLES

	<b>31 December</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Trade payables	560	609
Accruals	5,518	6,614
Rental deposits received	3,969	3,969
Other payables	3,685	2,259
	<hr/>	<hr/>
	<b>13,732</b>	<b>13,451</b>
	<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 31 December 2022

## 16. TRADE AND OTHER PAYABLES (Cont'd)

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

	<b>31 December</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
0-90 days	<u>560</u>	<u>609</u>

## 17. DUE TO RELATED PARTIES

	<b>31 December</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Gold Seal Holdings Limited	18,411	19,127
Cityguard Holdings Limited	437	437
Oung Da Ming	279	285
	<u>19,127</u>	<u>19,849</u>

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

## 18. SECURED BANK BORROWINGS

	<b>31 December</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Mortgage loans	<u>82,190</u>	<u>83,230</u>

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

For the six months ended 31 December 2022

### 18. SECURED BANK BORROWINGS (Cont'd)

The secured bank borrowings are repayable as follows:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Within one year	1,635	2,200
More than one year, but not exceeding two years	1,736	2,252
More than two years, but not more than five years	5,890	7,138
More than five years	72,929	71,640
	<hr/>	<hr/>
	<b>82,190</b>	83,230
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	<b>(80,555)</b>	(81,030)
	<hr/>	<hr/>
	<b>1,635</b>	2,200
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(1,635)</b>	(2,200)
	<hr/>	<hr/>
Amount due for settlement after 12 months	–	–
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2022, mortgage loans with an outstanding amount of approximately HK\$82,190,000 (30 June 2022: HK\$83,230,000) shall be repayable by remaining 281 (30 June 2022: 287) monthly instalments and carries interest at a rate of 1.75% (30 June 2022: 1.75%) per annum over Hong Kong Interbank Offer Rate.

At 31 December 2022, the weighted average interest rate of the Group's bank borrowings was 6.10% (30 June 2022: 2.62%) per annum.

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

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

For the six months ended 31 December 2022

## 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 2022

## 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 2022

## 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:

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Share price (per share)	<b>HK\$0.089</b>	HK\$0.120
No. of shares convertible	<b>191,557,498</b>	191,557,498

Change in fair value of approximately HK\$5,938,000 (2021: HK\$Nil) was credited to "other gains and losses" in profit or loss during the six months ended 31 December 2022.

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

For the six months ended 31 December 2022

## 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 2022, the outstanding number of the 2014 Convertible Notes is 52,104,172 (30 June 2022: 52,104,172).

## 20. OTHER BORROWINGS

	<b>31 December 2022 HK\$'000 (Unaudited)</b>	30 June 2022 HK\$'000 (Audited)
Unsecured loans	22,364	21,959
Less: Amount due for settlement within 12 months (shown under current liabilities)	(7,993)	(4,982)
	<hr/>	<hr/>
Amount due for settlement after 12 months	<b>14,371</b>	16,977
	<hr/> <hr/>	<hr/> <hr/>



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

For the six months ended 31 December 2022

## 20. OTHER BORROWINGS (Cont'd)

The effective interest rates were as follows:

	<b>31 December 2022 (Unaudited)</b>	30 June 2022 (Audited)
Other borrowings	<b>0% - 1%</b>	0% - 1%

Other borrowings of approximately HK\$14,371,000 (30 June 2022: HK\$16,977,000) are repayable by instalments from 2024 to 2028 (30 June 2022: 2024 to 2028) and carry interest at a rate of 1% per annum set by the Finland Finance Ministry.

## 21. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2021, 30 June 2022, 1 July 2022 and 31 December 2022	50,000,000,000	500,000
Issued and fully paid:		
At 1 July 2021 (audited)	1,403,317,549	14,033
Cancellation of shares repurchased ( <i>note</i> )	(1,880,000)	(19)
At 30 June 2022 (audited), 1 July 2022 and 31 December 2022 (unaudited)	1,401,437,549	14,014

*Note:*

During the year ended 30 June 2022, the Company repurchased 350,000 ordinary shares through the Stock Exchange at a total consideration of approximately HK\$43,000 and 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 2022

### 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 2022.

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		2021	
	2022	Weighted average exercise price HK\$	2021	Weighted average exercise price HK\$
	Number of share options		Number of share options	
Outstanding at beginning and end of period	<b>397,721,900</b>	<b>0.268</b>	397,721,900	0.268
Exercisable at end of period	<b>397,721,900</b>	<b>0.268</b>	397,721,900	0.268

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 4.56 years (30 June 2022: 5.06 years) and the exercise prices range from HK\$0.179 to HK\$0.321 (30 June 2022: HK\$0.179 to HK\$0.321).

No share options were granted during the six months ended 31 December 2021 and 2022.

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

For the six months ended 31 December 2022

## 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:

	<b>31 December</b>	30 June
	<b>2022</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Leasehold land and buildings	<b>180,087</b>	182,222

## 24. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Service fee paid to a related company ( <i>note (a)</i> )	<b>303</b>	211
Compensation of key management personnel ( <i>note (b)</i> )	<b>2,367</b>	2,513

*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 27 February 2023.