

PALADIN LIMITED

(incorporated in Bermuda with limited liability)

Stock Code : 495

2024

Interim Report

For the six months ended
31 December 2024



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 105% to approximately HK\$21 million for the six months ended 31 December 2024 compared to the same period last year, and recorded a loss of approximately HK\$31 million as compared to a loss of approximately HK\$16 million for the corresponding period in 2023. The increase in loss is primarily attributable to the fair value losses of approximately HK\$21 million on investment properties for the six months ended 31 December 2024.

Properties investment

Rental income of the Group for the six months ended 31 December 2024 generated from its investment properties amounted to approximately HK\$3 million (2023: HK\$4 million).

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

Development of high technology products

The Group's development of next generation technology applications involve imaging, surveillance, navigation and advanced semi-conductor processing. The technology division of the Group is employing about 29 research and development engineers. To date, the Group working together with the Finnish Funding Agency for Technology and Innovation, have invested around HK\$160 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 2029, our technology division will generate a revenue of US\$29 million.

The three major 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, digital x-ray inspection devices for industrial and security applications. Industrial business area focuses on non-destructive testing (NDT) of critical structures. Most typical applications being weld inspection, corrosion inspection and other structural inspections.

Management Discussion and Analysis (Cont'd)

Security business are consists of EOD and IED operations and to some extend counterintelligence applications in such areas on the detection of explosive devices, baggage scanning, border control and customs, forensic investigation and security at large scale sporting and other events.

The total sales for the six months ended 31 December 2024 was approximately HK\$18 million.

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

- Security product line:

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

- NDT product line:

The first sales was in September 2020. Multiple new products, accessories and SW features have been released to support products and to meet customer demand.

Pexray 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 is sold as a stand-alone product in NDT market and is one of the company's growth drivers.

Overall NDT sales dominate over security sales. Growth in fiscal year 2023-2024 and 2024-2025 was and will be strongly driven by NDT sales.

Navigs Oy – a non-wholly owned subsidiary, based in Espoo, Finland. Navigs Oy is at the forefront of R&D in state-of-the-art GNSS and image-based positioning. While these solutions are integral for autonomous, semi-automated agricultural machinery and advanced driver-assist systems to optimize precision farming, their applications extend far beyond agriculture. They are also engineered to be compatible with a variety of off-highway industrial vehicles and have uses in marine navigation systems as well as drones. The product portfolio includes IPESSA Tiny, IPESSA Base Station, IPESSA Nano, IPESSA Yaw Bar, and IPESSA RTK-VINS. Owing to presence in select exhibitions, the company has become well-known in the agricultural market, but also in other sectors, such as construction and marine.

- IPESSA Tiny is a cost-efficient positioning solution ideal for various autonomous applications like precision farming and heavy working machines. It operates on a dual-antenna satellite receiver coupled with inertial sensing and is equipped with a global narrowband cellular modem. Prototyping wrapped up in early 2021. Customer pilots faced delays due to chip shortages but were finalized in first half of 2022 across Finland, Europe, and Turkey.

Management Discussion and Analysis (Cont'd)

- IPESSA Base Station is based on IPESSA Tiny but features the capability of providing RTK correction data to moving vehicles (rovers). The RTK correction data is an essential enabler for achieving centimeter-level positioning accuracy. IPESSA Base Station also includes a UHF radio for sending the data to the rovers. The first base station was delivered in December 2023.
- IPESSA Nano is a compact positioning module, perfect for size-sensitive applications like drones and compact AGVs. It runs on a dual-antenna satellite receiver and an inertial measurement unit (IMU). However, Nano comes with a more limited feature set compared to Tiny. Hardware and mechanical prototypes rolled out in late 2021, but software development encountered delays attributable to resource constraints. First IPESSA Nano units were shipped to customers during the fiscal year 2023-24.
- IPESSA Yaw Bar is a high-end positioning device, fine-tuned for marine use-cases. It features an optional fiber optic gyroscope (FOG) for top-tier orientation sensing, essential for GNSS-independent North Finding in certain marine scenarios. Like Tiny and Nano, Yaw Bar utilizes similar GNSS receivers and inertial sensors. The IMO (International Maritime Organization) hasn't approved RTK corrections for marine vessels, so the initial market focus is on non-SOLAS ships like fishing boats and utility vessels. The sales of the entry-level version of the IPESSA Yaw Bar with MEMS-based inertial sensors have commenced.
- IPESSA RTK-VINS leverages the core tech of both Tiny and Nano, augmented with a visual inertial navigation system (VINS). This hybrid approach enhances positioning accuracy and robustness in GNSS-challenged environments, making it highly applicable for various UGV, AGV and drone contexts. The RTK-VINS system is a joint venture with Dynim Oy, see below for details about the different product versions and their status.

Dynim Oy, a non-wholly owned subsidiary based in Espoo, Finland, is actively developing the RTK VINS series in collaboration with its sister companies: Navigs Oy, Crearo, Pixon, and Techvico. By leveraging shared resources and expertise, Dynim is accelerating the development and commercialisation of advanced platforms that provide positioning, sensing and connectivity capabilities as an all in one solution for various products.

Management Discussion and Analysis (Cont'd)

RTK VINS Project Portfolio:

1) RTK VINS AI

A high-performance NVIDIA-based platform designed for Autonomous navigation/Robotics applications, featuring:

- Camera Options: Triple-camera setup (stereo + high-resolution RGB) and dual-camera configuration.
- Integrated Sensors: IMU, magnetometer, gyroscope, accelerometer, and RTK module.

Development Status:

- Currently in the optimization phase, with the first prototype targeted for first quarter of 2025.
- Intended for deployment in agricultural robots and autonomous mobile robot (AMR) solutions both projects to be led by Techvico.

2) RTK VINS Lite

A Qualcomm-based solution optimized for real-time positioning and IoT applications, featuring:

- Camera Options: Triple-camera setup (stereo + high-resolution RGB) and dual-camera configuration.
- Integrated Sensors: IMU, magnetometer, gyroscope, accelerometer, and Quectel LG69T RTK module.

Development Status:

- Currently in the optimization phase, with the second prototype iteration expected in early second quarter of 2025.
- Target applications include autonomous drones, smart dashcams, and AI-driven surveillance cameras.

Management Discussion and Analysis (Cont'd)

3) RTK VINS Dual Core

An STM-based navigation platform designed for lightweight, high-efficiency applications, featuring:

- Camera Options: Single-camera and dual-camera configurations.
- Integrated Sensors: IMU and RTK module.

Development Status:

- Currently in the development phase, with the first prototype targeted for first quarter of 2025.
- Intended for applications in autonomous drones, autosteering systems, e-bikes, and geospatial surveying solutions.

Business Strategy & Market Approach

The RTK VINS platforms and products are jointly developed by Dynim and its sister companies and will be marketed under the Dynim brand in the EU market. Dynim is also actively scaling its engineering team in Vietnam to support ongoing development.

Business Model:

- Platform & Product Sales: Offering RTK-enabled navigation solutions across multiple industries.
- Engineering Services: Providing customization, integration, and support for robotics, automation, and AI applications.

Through this strategic collaboration, Dynim aims to deliver high-precision, scalable solutions for next-generation autonomous systems.

Management Discussion and Analysis (Cont'd)

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, net current liabilities of the Group were approximately HK\$98 million. The current ratio was 0.28. The bank and cash balances were approximately HK\$24 million.

As at 31 December 2024, the Group has outstanding liabilities of approximately HK\$155 million comprising (i) trade and other payables of approximately HK\$15 million, (ii) amounts due to related parties of approximately HK\$13 million, (iii) secured bank borrowings of approximately HK\$103 million, and (iv) other liabilities of approximately HK\$24 million. The secured bank borrowings of approximately HK\$79 million and HK\$24 million are on floating interest rates basis and fixed interest rates basis respectively.

The majority of the Group's assets and borrowings are denominated in Hong Kong 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\$381 million.

The Group's gearing ratio as determined by total debt divided by total assets was approximately 23%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2024, the Group had no material acquisitions and disposals of subsidiaries.

As at 31 December 2024, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed a total of 45 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 31 December 2024, 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 2024.

Directors' Report

DIRECTOR'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, 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	3.37%
Chan Chi Ho	Beneficial owner	–	39,772,190	39,772,190	2.42%
Yuen Chi Wah	Beneficial owner	–	39,772,190	39,772,190	2.42%

* 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 2024, 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 2024, 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	Total	Percentage of interest
Basurto Holdings Limited (Note a)	Interest of a controlled corporation	508,848,531	–	508,848,531	30.93%
Cityguard Holdings Limited (Note b)	Beneficial owner	508,848,531	–	508,848,531	30.93%
Five Star Investments Limited (Note c)	Interest of a controlled corporation	508,848,531	–	508,848,531	30.93%
Gold Seal Holdings Limited (Note d)	Beneficial owner	537,993,892	–	537,993,892	32.71%
Next Level Corporate Limited (Note e)	Other (Note e)	508,848,531	–	508,848,531	30.93%
Mr. Oung Da Ming	Beneficial owner	90,000,000	39,772,190	129,772,190	7.89%
	Interest of a controlled corporation (Note a)	508,848,531	–	508,848,531	30.93%
	Interest of a controlled corporation (Note d)	537,993,892	–	537,993,892	32.71%
		1,136,842,423	39,772,190	1,176,614,613	71.53%
Ms. Hsu Ong Hsiao Ling	Beneficial owner	–	39,772,190	39,772,190	2.42%
	Interest of a controlled corporation (Note d)	537,993,892	–	537,993,892	32.71%
		537,993,892	39,772,190	577,766,082	35.13%

Notes:

- (a) 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%).
- (b) Cityguard Holdings Limited, is a wholly-owned subsidiary of Five Star Investments Limited.
- (c) 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.

Directors' Report (Cont'd)

- (d) Gold Seal Holdings Limited is owned as 50% by Mr. Oung Da Ming and 50% by his sister, Ms. Hsu Ong Hsiao Ling.
- (e) 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.

Other than as disclosed above, as at 31 December 2024, 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.

As at 1 July 2024 and 31 December 2024, 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. The percentage of the issued shares (excluding treasury shares) that it represents as at the date of this interim report is 397,721,900 shares, representing approximately 24.18% of the Company's issued share capital as at the date of this interim report. Details of the movements of the share options during the period are as follows:

Grantees	Outstanding as at 01.07.2024	Number of Options				Outstanding as at 31.12.2024	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 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028
Chan Chi Ho	13,676,400	-	-	-	-	13,676,400	0.321 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	-	-	-	-	13,495,790	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	-	-	-	-	12,600,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028

Directors' Report (Cont'd)

Grantees	Outstanding as at 01.07.2024	Number of Options				Outstanding as at 31.12.2024	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				
Yuen Chi Wah	13,676,400	–	–	–	–	13,676,400	0.321 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028
Substantial shareholders									
Oung Da Ming	13,676,400	–	–	–	–	13,676,400	0.321 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028
Hsu Ong Hsiao Ling	13,676,400	–	–	–	–	13,676,400	0.321 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	13,495,790	–	–	–	–	13,495,790	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	12,600,000	–	–	–	–	12,600,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028
Associates of substantial shareholders ⁽⁴⁾	41,029,200	–	–	–	–	41,029,200	0.321 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	40,487,370	–	–	–	–	40,487,370	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	37,800,000	–	–	–	–	37,800,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028
Employees	27,352,800	–	–	–	–	27,352,800	0.321 ⁽¹⁾	30 May 2016	30 May 2016 – 29 May 2026
	26,991,580	–	–	–	–	26,991,580	0.296 ⁽²⁾	23 June 2017	23 June 2017 – 22 June 2027
	25,200,000	–	–	–	–	25,200,000	0.179 ⁽³⁾	9 November 2018	9 November 2018 – 8 November 2028

Note:

- (1) The closing price of the Company's share immediately before the date (30 May 2016) on which the share options were granted was HK\$0.334 per share.
- (2) The closing price of the Company's share immediately before the date (23 June 2017) on which the share options were granted was HK\$0.299 per share.
- (3) The closing price of the Company's share immediately before the date (9 November 2018) on which the share options were granted was HK\$0.173 per share.
- (4) Being share options held by Oung Shih How, Zee Alfred and King, Camille V.

Directors' Report (Cont'd)

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 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares.

ISSUE OF NEW SHARES ON REDEMPTION OF CONVERTIBLE NOTES

The Company issued an Offering Circular in 2014 relating to an open offer of Convertible Notes, followed by another Offering Circular in 2017 for a further open offer of Convertible Notes. More details regarding the Convertible Notes can be found in these circulars.

The Convertible Notes matured on 23 November 2024 and, in accordance with their terms, were not repaid in cash but were instead settled through the issuance of Conversion Shares. On 25 November 2024, the outstanding amount of Convertible Notes was HK\$60,394,376, and 243,661,670 new Conversion Shares, credited as fully paid, were issued.

BOARD DIVERSITY AND COMPLIANCE WITH LISTING RULES

Pursuant to Rule 13.92 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, a single-gender board does not meet the diversity requirement. Accordingly, issuers with a single-gender board are required to appoint at least one director of a different gender by no later than 31 December 2024.

To ensure compliance with the Listing Rules, the Company remains committed to identifying and appointing a suitable candidate to fill the required board position as soon as practicable. The selection process will be conducted with due diligence and in accordance with the relevant Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

For the six months ended 31 December 2024, aggregate revenue attributable to the Group's largest and five largest customers accounted for 16% and 61% of the Group's total revenue respectively. For the six months ended 31 December 2024, purchases from the Group's largest and five largest suppliers accounted for 35% and 72% 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 2024.

Directors' Report (Cont'd)

AUDIT COMMITTEE

The interim results for the six months ended 31 December 2024 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 2024.

UPDATES ON THE DECISION OF THE STOCK EXCHANGE ON RULE 13.24 OF THE LISTING RULES

On 15 November 2024, the Company received a letter from the Listing Division (the "Listing Division") of the Stock Exchange stating amongst other things that the Listing Division have decided that the Company has failed to maintain a sufficient level of operations and assets of sufficient value as required under Listing Rule 13.24, and that trading in the Company's shares should be suspended under Listing Rule 6.01(3).

In an announcement dated 25 November 2024, the Company reported its decision not to apply for a review of this determination. Consequently, trading in the Company's shares on the Stock Exchange has been suspended since 27 November 2024 and will remain suspended until further notice.

Pursuant to Listing Rule 6.01A, the Company has 18 months from 27 November 2024 to take the necessary actions to demonstrate compliance with Listing Rule 13.24. If the Company fails to do so within this period, the Stock Exchange may cancel the listing of its shares.

The Company will issue further announcements as appropriate and in compliance with the Listing Rules.

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 2024.

By order of the Board
Oung Shih Hua, James
CHAIRMAN

Hong Kong, 27 February 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2024

	Note	Six months ended 31 December	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	5	21,135	10,324
Cost of sales and service		<u>(11,047)</u>	<u>(4,626)</u>
Gross profit		10,088	5,698
Other income		327	128
Other gains and losses	6	(17,870)	3,857
Administrative and other operating expenses		<u>(20,297)</u>	<u>(22,543)</u>
Loss from operations		(27,752)	(12,860)
Finance costs	7	<u>(3,277)</u>	<u>(2,778)</u>
Loss before tax		(31,029)	(15,638)
Income tax expense	8	<u>(167)</u>	<u>–</u>
Loss for the period	9	<u>(31,196)</u>	<u>(15,638)</u>
Other comprehensive income:			
<i>Items that reclassified or may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		1,500	(1,043)
Release of exchange reserve upon dissolution of subsidiaries		<u>–</u>	<u>(406)</u>
Other comprehensive income for the period, net of tax		<u>1,500</u>	<u>(1,449)</u>
Total comprehensive income for the period		<u>(29,696)</u>	<u>(17,087)</u>
Loss for the period attributable to:			
Owners of the Company		(31,288)	(13,480)
Non-controlling interests		<u>92</u>	<u>(2,158)</u>
		<u>(31,196)</u>	<u>(15,638)</u>

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

For the six months ended 31 December 2024

	Note	Six months ended 31 December	
		2024	2023
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Total comprehensive income for the period attributable to:			
Owners of the Company		(30,073)	(14,764)
Non-controlling interests		<u>377</u>	<u>(2,323)</u>
		<u>(29,696)</u>	<u>(17,087)</u>
Loss per share	11		
Basic (HK cents per share)		<u>(2.16)</u>	<u>(0.96)</u>
Diluted (HK cents per share)		<u>(2.17)</u>	<u>(1.06)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		31 December 2024 <i>HK\$'000</i> (Unaudited)	30 June 2024 <i>HK\$'000</i> (Audited)
	Note		
Non-current assets			
Investment properties	12	396,600	417,700
Property, plant and equipment	13	201,305	204,037
Goodwill		–	–
Other intangible assets		–	–
Financial assets at fair value through profit or loss ("FVTPL")	14	37,037	37,255
Total non-current assets		634,942	658,992
Current assets			
Inventories		4,711	4,281
Trade and other receivables	15	8,585	5,945
Bank and cash balances		24,350	36,250
Total current assets		37,646	46,476
Current liabilities			
Trade and other payables	16	15,319	14,078
Contract liabilities		1,667	85
Due to related parties	17	13,290	13,480
Secured bank borrowings	18	102,730	104,489
Convertible notes	19	–	7,279
Other borrowings	20	2,296	1,707
Current tax liabilities		403	236
Total current liabilities		135,705	141,354
Net current liabilities		(98,059)	(94,878)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 31 December 2024

		31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
	Note		
Total assets less current liabilities		536,883	564,114
Non-current liabilities			
Other borrowings	20	<u>19,339</u>	<u>20,705</u>
NET ASSETS		<u>517,544</u>	<u>543,409</u>
CAPITAL AND RESERVES			
Share capital	21	16,450	14,013
Reserves		<u>532,501</u>	<u>562,490</u>
Equity attributable to owners of the Company		548,951	576,503
Non-controlling interests		<u>(31,407)</u>	<u>(33,094)</u>
TOTAL EQUITY		<u>517,544</u>	<u>543,409</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2024

	Attributable to owners of the Company										
	Share capital	Share premium	Treasury share reserve	Other reserve	Translation reserve	Convertible notes reserve	Share option reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2023 (audited)	14,014	188,767	(16)	21,766	(1,061)	9,722	58,312	419,428	710,932	(31,656)	679,276
Total comprehensive income and changes in equity for the period	—	—	—	—	(1,284)	—	—	(13,480)	(14,764)	(2,323)	(17,087)
At 31 December 2023 (unaudited)	14,014	188,767	(16)	21,766	(2,345)	9,722	58,312	405,948	696,168	(33,979)	662,189

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Translation reserve	Convertible notes reserve	Share option reserve	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2024 (audited)	<u>14,013</u>	<u>188,752</u>	<u>21,766</u>	<u>(3,350)</u>	<u>9,722</u>	<u>58,312</u>	<u>287,288</u>	<u>576,503</u>	<u>(33,094)</u>	<u>543,409</u>
Issue of shares upon conversion of 2014 Convertible Notes (note 19(b))	—	522	9,200	—	—	(9,722)	—	—	—	—
Issue of shares upon conversion of 2017 Convertible Notes (note 19(a))	—	1,915	1,916	—	—	—	—	3,831	—	3,831
Capital contribution to non-wholly owned subsidiaries	—	—	—	—	—	—	(1,310)	(1,310)	1,310	—
Total comprehensive income for the period	—	—	—	1,215	—	—	(31,288)	(30,073)	377	(29,696)
Changes in equity for the period	<u>2,437</u>	<u>11,116</u>	<u>—</u>	<u>1,215</u>	<u>(9,722)</u>	<u>—</u>	<u>(32,598)</u>	<u>(27,552)</u>	<u>1,687</u>	<u>(25,865)</u>
At 31 December 2024 (unaudited)	<u>16,450</u>	<u>199,868</u>	<u>21,766</u>	<u>(2,135)</u>	<u>—</u>	<u>58,312</u>	<u>254,690</u>	<u>548,951</u>	<u>(31,407)</u>	<u>517,544</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2024

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(7,401)	(11,991)
Bank interest received	327	128
Purchases of property, plant and equipment	(37)	—
NET CASH GENERATED FROM INVESTING ACTIVITIES	290	128
Repayment to related parties	(167)	(2,630)
Repayment of bank and other borrowings	(1,759)	(755)
Interest paid	(3,510)	(2,118)
NET CASH USED IN FINANCING ACTIVITIES	(5,436)	(5,503)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,547)	(17,366)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,250	44,709
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	647	(769)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	24,350	26,574
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	24,350	26,574

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2024

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 2024 annual consolidated financial statements. Except as described below, 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 2024.

The Group incurred a loss of approximately HK\$31,196,000 during the six months ended 31 December 2024 and, as of that date, the Group had net current liabilities of approximately HK\$98,059,000. 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 conditions, the condensed consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to their impact on the current and anticipated future liquidity of the Group by taking into consideration the mitigating factors which include, but not limited to, the following:

- (i) The secured bank loans of approximately HK\$102,730,000 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;
- (ii) Gold Seal Holdings Limited, a shareholder of the Company, has agreed not to demand for repayment of the balance of approximately HK\$12,580,000 due from the Group as at 31 December 2024 until it is in a financial position to do so;

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

For the six months ended 31 December 2024

2. BASIS OF PREPARATION (Cont'd)

- (iii) The Group has undrawn available banking facilities of approximately HK\$84,770,000 as at 31 December 2024 as disclosed in note 18; and
- (iv) The Group has implemented and will continue to implement various strategies to enhance the Group's revenue and profitability including adopting various of measures to control costs.

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. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

A. New and amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 July 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to Hong Kong Accounting Standards (“HKAS”) 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – Hong Kong Interpretation 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to Hong Kong Financial Reporting Standards (“HKFRS”) 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the amended standards or revised interpretation.

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

For the six months ended 31 December 2024

3. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

B. Impact of new and amended standards issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated 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.

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

For the six months ended 31 December 2024

4. FAIR VALUE MEASUREMENTS (Cont'd)

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.

(a) Disclosures of level in fair value hierarchy at 31 December 2024:

	(Unaudited)			
	Fair value measurements as at			
	31 December 2024 using:			
Description	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	–	–	10,484	10,484
– Deposit placed for a life insurance policy	–	26,553	–	26,553
	–	26,553	10,484	37,037
Investment properties				
– Vacant office premises/car parking spaces located in Hong Kong	–	–	396,600	396,600
Total	–	26,553	407,084	433,637

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

For the six months ended 31 December 2024

4. FAIR VALUE MEASUREMENTS (Cont'd)

(a) Disclosures of level in fair value hierarchy at 31 December 2024: (Cont'd)

	(Audited)			
	Fair value measurements as at			
	30 June 2024 using:			
Description	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	–	–	11,084	11,084
– Deposit placed for a life insurance policy	–	26,171	–	26,171
	–	26,171	11,084	37,255
Investment properties				
– Tenant occupied office premises/car parking spaces located in Hong Kong	–	–	191,800	191,800
– Vacant office premises/car parking spaces located in Hong Kong	–	–	225,900	225,900
	–	–	417,700	417,700
Total	–	26,171	428,784	454,955
Financial liabilities at FVTPL				
– 2017 Convertible Notes	–	7,279	–	7,279

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

For the six months ended 31 December 2024

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	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At beginning of period	11,084	11,084	417,700	518,000
Total losses recognised				
– in profit or loss	(600)	(200)	(21,100)	–
At end of period	<u>10,484</u>	<u>10,884</u>	<u>396,600</u>	<u>518,000</u>

The total gains or 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 2024

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 2024:

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	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\$Nil (30 June 2024: HK\$19,000 to HK\$19,100) 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\$17,700 to HK\$18,700 (30 June 2024: HK\$19,000 to HK\$19,100) per sq. ft. on saleable area basis	Increase

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

For the six months ended 31 December 2024

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 2024:** (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 of investment 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.

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.

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

For the six months ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment profits or losses do not include certain other income, certain other gains and losses and unallocated corporate expenses.

	Property investment <i>HK\$'000</i> (Unaudited)	Research and development <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2024			
Revenue from external customers	<u>2,894</u>	<u>18,241</u>	<u>21,135</u>
Segment loss	<u>(18,934)</u>	<u>(5,038)</u>	<u>(23,972)</u>
Unallocated expenses			<u>(10,305)</u>
Unallocated income			<u>3,248</u>
Consolidated loss before tax			<u><u>(31,029)</u></u>

	Property investment <i>HK\$'000</i> (Unaudited)	Research and development <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 31 December 2023:			
Revenue from external customers	<u>4,341</u>	<u>5,983</u>	<u>10,324</u>
Segment profit/(loss)	<u>3,278</u>	<u>(11,875)</u>	<u>(8,597)</u>
Unallocated expenses			<u>(10,721)</u>
Unallocated income			<u>3,680</u>
Consolidated loss before tax			<u><u>(15,638)</u></u>

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

For the six months ended 31 December 2024

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total loss of reportable segments	(23,972)	(8,597)
Unallocated amounts:		
Other income	18	64
Other gains and losses	3,230	3,616
Administrative and other operating expenses	(10,305)	(10,721)
Consolidated loss before tax	<u>(31,029)</u>	<u>(15,638)</u>

Geographical information:

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

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	2,894	4,341
Finland	17,444	5,241
Others	797	742
Consolidated total	<u>21,135</u>	<u>10,324</u>

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

For the six months ended 31 December 2024

6. OTHER GAINS AND LOSSES

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fair value losses on investment properties (note 12)	(21,100)	–
Fair value (losses)/gains on financial assets at FVTPL (note 14)	(218)	168
Fair value gains on convertible notes (note 19(a))	3,448	3,448
Gain on dissolution of subsidiaries	–	241
	<u>(17,870)</u>	<u>3,857</u>

7. FINANCE COSTS

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	3,218	2,724
Interest on other borrowings	59	54
	<u>3,277</u>	<u>2,778</u>

8. INCOME TAX EXPENSE

	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	<u>167</u>	<u>–</u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying Group entity established in Hong Kong will be taxed at 8.25% (2023: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2023: 16.5%). The profits of the Group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% (2023: 16.5%).

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

For the six months ended 31 December 2024

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	(327)	(128)
Cost of inventories sold	10,389	3,577
Direct operating expenses of investment properties that generate rental income	18	6
Direct operating expenses of investment properties that did not generate rental income	640	1,043
Depreciation of property, plant and equipment	2,749	3,527

10. DIVIDEND

No dividend was paid or proposed by the Company during the six months ended 31 December 2024 (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(31,288)	(13,480)
Fair value gains on convertible notes (note 19(a))	(3,448)	(3,448)
Loss for the purpose of calculating diluted loss per share	(34,736)	(16,928)

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

For the six months ended 31 December 2024

11. LOSS PER SHARE (Cont'd)

	Six months ended 31 December	
	2024	2023
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	1,450,294,733	1,401,437,549
Effect of dilutive potential ordinary shares arising from 2017 Convertible Notes outstanding (note 19(a))	<u>153,037,784</u>	<u>191,557,498</u>
Weighted average number of ordinary shares used in diluted loss per share calculation	<u><u>1,603,332,517</u></u>	<u><u>1,592,995,047</u></u>

The conversion of the Company's outstanding 2014 Convertible Notes would be anti-dilutive before the exercise of the conversion rights during the six months ended 31 December 2024. The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those share options were higher than the average market price for shares for the six months ended 31 December 2024.

The conversion of the Company's outstanding 2014 Convertible Notes would be anti-dilutive during the six months ended 31 December 2023. The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those share options were higher than the average market price for shares for the six months ended 31 December 2023.

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. Ravia Global Appraisal Advisory Limited, an independent qualified professional valuer which is not connected to the Group.

The fair value of the investment properties was arrived by using direct comparison method 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\$21,100,000 (2023: HK\$Nil) were recognised in profit or loss for the six months ended 31 December 2024.

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

For the six months ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2024, the Group acquired property, plant and equipment of approximately HK\$37,000 (2023: HK\$Nil).

14. FINANCIAL ASSETS AT FVTPL

	31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Golf club membership (note (a))	10,484	11,084
Deposit placed for a life insurance policy (note (b))	26,553	26,171
	<u>37,037</u>	<u>37,255</u>

Notes:

- (a) Golf club membership

During the six months ended 31 December 2024, the fair value loss of approximately HK\$600,000 (2023: HK\$200,000) was 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 2024, the fair value gain of approximately HK\$382,000 (2023: HK\$368,000) was credited to profit or loss.

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

For the six months ended 31 December 2024

15. TRADE AND OTHER RECEIVABLES

	31 December 2024 <i>HK\$'000</i> (Unaudited)	30 June 2024 <i>HK\$'000</i> (Audited)
Trade receivables	5,003	2,618
Other receivables	1,586	1,582
Deposits	953	1,108
Prepayments	1,043	637
	<u>8,585</u>	<u>5,945</u>

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

	31 December 2024 <i>HK\$'000</i> (Unaudited)	30 June 2024 <i>HK\$'000</i> (Audited)
0 – 90 days	4,461	2,183
91 – 180 days	229	286
181 – 365 days	313	–
Over 365 days	–	149
	<u>5,003</u>	<u>2,618</u>

16. TRADE AND OTHER PAYABLES

	31 December 2024 <i>HK\$'000</i> (Unaudited)	30 June 2024 <i>HK\$'000</i> (Audited)
Trade payables	961	598
Accruals	3,789	3,182
Rental deposits received	3,969	3,969
Other payables	6,600	6,329
	<u>15,319</u>	<u>14,078</u>

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

For the six months ended 31 December 2024

16. TRADE AND OTHER PAYABLES (Cont'd)

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

	31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
0 – 90 days	<u>961</u>	<u>598</u>

17. DUE TO RELATED PARTIES

	31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Gold Seal Holdings Limited	12,580	12,960
Cityguard Holdings Limited	437	437
Oung Da Ming	<u>273</u>	<u>83</u>
	<u>13,290</u>	<u>13,480</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

	31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Mortgage loans	78,751	79,635
Term loan	<u>23,979</u>	<u>24,854</u>
	<u>102,730</u>	<u>104,489</u>

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

For the six months ended 31 December 2024

18. SECURED BANK BORROWINGS (Cont'd)

The secured bank borrowings are repayable as follows:

	31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Within one year	3,542	3,515
More than one year, but not exceeding two years	3,658	3,745
More than two years, but not more than five years	26,968	27,434
More than five years	68,562	69,795
	102,730	104,489
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	(99,188)	(100,974)
	3,542	3,515
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,542)	(3,515)
Amount due for settlement after 12 months	—	—

At 31 December 2024, the secured bank borrowings are comprised of:

- (i) mortgage loans with an outstanding amount of approximately HK\$78,751,000 (30 June 2024: HK\$79,635,000) shall be repayable by remaining 257 (30 June 2024: 263) monthly instalments and carries interest at a rate of 1.75% (30 June 2024: 1.75%) per annum over Hong Kong Interbank Offer Rate; and
- (ii) a 3-year term loan that carries interest at the rate of 0.5% (30 June 2024: 0.5%) per annum below Hong Kong Dollar Prime Rate.

At 31 December 2024, the Group had available undrawn borrowing facilities of approximately HK\$84,770,000 (30 June 2024: HK\$83,011,000).

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 2024

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 2024

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 2024

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 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Share price (per share)	–	HK\$0.038
No. of shares convertible	–	191,557,498

Change in fair value of approximately HK\$3,448,000 (2023: HK\$3,448,000) was credited to "other gains and losses" in profit or loss during the six months ended 31 December 2024.

During the six months ended 31 December 2024, a total amount of 191,557,498 2017 Convertible Notes with a carrying amount of approximately HK\$3,831,000 have been converted to 191,557,498 ordinary shares.

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

For the six months ended 31 December 2024

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.

During the six months ended 31 December 2024, a total amount of 52,104,172 2014 Convertible Notes with an amount of approximately HK\$9,722,000 have been converted to 52,104,172 ordinary shares.

As at 31 December 2024, there were no outstanding 2014 Convertible Notes (30 June 2024: 52,104,172).

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

For the six months ended 31 December 2024

20. OTHER BORROWINGS

	31 December 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Unsecured loans	21,635	22,412
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,296)	(1,707)
Amount due for settlement after 12 months	19,339	20,705

The carrying amounts of the Group's other borrowings are denominated in Euro.

Other borrowings of approximately HK\$19,339,000 (30 June 2024: HK\$20,705,000) are repayable by instalments from 2026 to 2031 (30 June 2024: 2026 to 2031) and carry interest at a rate of 1% (30 June 2024: 1%) per annum set by the Finland Finance Ministry.

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 July 2023, 30 June 2024, 1 July 2024 and 31 December 2024	50,000,000,000	500,000
Issued and fully paid:		
At 1 July 2023 (audited)	1,401,437,549	14,014
Cancellation of shares repurchased (note)	(140,000)	(1)
At 30 June 2024 (audited) and 1 July 2024 (audited)	1,401,297,549	14,013
Issue of shares upon conversion of 2014 Convertible Notes (note 19(b))	52,104,172	522
Issue of shares upon conversion of 2017 Convertible Notes (note 19(a))	191,557,498	1,915
At 31 December 2024 (unaudited)	1,644,959,219	16,450

Note: During the year ended 30 June 2024, 140,000 ordinary shares were cancelled in January 2024.

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

For the six months ended 31 December 2024

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 2024.

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 2024		2023	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at beginning and end of period	<u>397,721,900</u>	0.268	<u>397,721,900</u>	0.268
Exercisable at end of period	<u>397,721,900</u>	0.268	<u>397,721,900</u>	0.268

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 2.56 years (30 June 2024: 3.06 years) and the exercise prices range from HK\$0.179 to HK\$0.321 (30 June 2024: HK\$0.179 to HK\$0.321).

No share options were granted, exercised, cancelled or lapsed during the six months ended 31 December 2023 and 2024.

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

For the six months ended 31 December 2024

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 2024 HK\$'000 (Unaudited)	30 June 2024 HK\$'000 (Audited)
Investment properties	209,700	225,900
Leasehold land and buildings	171,545	173,681
	381,245	399,581

24. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December 2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Service fee paid to a related company (note (a))	352	350
Compensation of key management personnel (note (b))	1,461	1,991

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 consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 27 February 2025.