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PALADIN LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 495)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The Board of Directors (the “Board”) of Paladin Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

		Six months ended 31 December	
	<i>Note</i>	2021	2020
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited)
Revenue	<i>3</i>	12,231	8,393
Cost of sales		<u>(4,937)</u>	<u>(2,900)</u>
Gross profit		7,294	5,493
Other income		380	1,419
Other gains and losses	<i>4</i>	(23,267)	(11,997)
Administrative and other operating expenses		<u>(37,430)</u>	<u>(40,725)</u>
Loss from operations		(53,023)	(45,810)
Finance costs	<i>5</i>	<u>(1,057)</u>	<u>(1,301)</u>
Loss before tax		(54,080)	(47,111)
Income tax expense	<i>6</i>	<u>–</u>	<u>–</u>
Loss for the period	<i>7</i>	<u>(54,080)</u>	<u>(47,111)</u>

	Six months ended	
	31 December	
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other comprehensive income:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>342</u>	<u>3,431</u>
Other comprehensive income for the period, net of tax	<u>342</u>	<u>3,431</u>
Total comprehensive income for the period	<u>(53,738)</u>	<u>(43,680)</u>
Loss for the period attributable to:		
Owners of the Company	(50,430)	(42,869)
Non-controlling interests	<u>(3,650)</u>	<u>(4,242)</u>
	<u>(54,080)</u>	<u>(47,111)</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	(50,182)	(40,338)
Non-controlling interests	<u>(3,556)</u>	<u>(3,342)</u>
	<u>(53,738)</u>	<u>(43,680)</u>
Loss per share	9	
Basic (<i>HK cents per share</i>)	<u>(3.60)</u>	<u>(3.04)</u>
Diluted (<i>HK cents per share</i>)	<u>(3.60)</u>	<u>(3.18)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		31 December 2021	30 June 2021
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Investment properties		539,300	562,800
Property, plant and equipment		228,064	231,554
Right-of-use assets		822	1,146
Financial assets at fair value through profit or loss (“FVTPL”)		<u>33,608</u>	<u>33,326</u>
Total non-current assets		<u>801,794</u>	<u>828,826</u>
Current assets			
Financial assets at FVTPL		–	20,000
Inventories		9,794	3,254
Trade and other receivables	10	9,427	4,994
Bank and cash balances		<u>111,003</u>	<u>141,926</u>
Total current assets		<u>130,224</u>	<u>170,174</u>
Current liabilities			
Trade and other payables	11	15,223	13,963
Contract liabilities		5,247	–
Due to related parties		20,669	24,712
Secured bank borrowings		84,588	98,645
Convertible notes		25,286	25,286
Other borrowings		1,853	2,292
Lease liabilities		<u>803</u>	<u>725</u>
Total current liabilities		<u>153,669</u>	<u>165,623</u>
Net current (liabilities)/assets		<u>(23,445)</u>	<u>4,551</u>
Total assets less current liabilities		<u>778,349</u>	<u>833,377</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

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

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

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

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

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

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

3. 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.

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

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

	Property investment <i>HK\$'000</i> (Unaudited)	Research and development <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months 31 December 2021:			
Revenue from external customers	<u>4,341</u>	<u>7,890</u>	<u>12,231</u>
Segment loss	<u>(24,361)</u>	<u>(21,893)</u>	(46,254)
Unallocated expenses			(8,129)
Unallocated income			<u>303</u>
Consolidated loss before tax			<u>(54,080)</u>
	Property investment <i>HK\$'000</i> (Unaudited)	Research and development <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months 31 December 2020:			
Revenue from external customers	<u>3,255</u>	<u>5,138</u>	<u>8,393</u>
Segment loss	<u>(22,790)</u>	<u>(27,272)</u>	(50,062)
Unallocated expenses			(6,630)
Unallocated income			<u>9,581</u>
Consolidated loss before tax			<u>(47,111)</u>

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

Reconciliation of segment loss from operations:

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

Geographical information:

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

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

4. OTHER GAINS AND LOSSES

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

7. LOSS FOR THE PERIOD

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

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

8. DIVIDEND

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

9. LOSS PER SHARE

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

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

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

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

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

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND PROSPECTS

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

Properties investment

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

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

Development of high technology products

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

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

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

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

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

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

- Scanning panel product line for security applications:

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

- Flat panel product for industrial NDT application:

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

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

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

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

- IPESSA Classic is a stand-alone, self-contained positioning module for autonomous Agri- and other robotics, and based on sensor fusion of satellite and high-performance inertial positioning technologies. The pilot sales of IPESSA Classic suggests that the cost structure of high-performance IPESSA Classic makes it less attractive in basic, originally targeted agricultural vehicles. Marketing effort is therefore now focusing on special applications, where high positioning performance is needed and justified.

- IPESSA Tiny is a low-cost positioning module for light, autonomous vehicles in precision farming, delivery robots, and drones and is based on dual satellite receiver and inertial sensing. Prototypes were completed in early 2021. Piloting with chosen customers was delayed due to global chip shortages, and it is ongoing in first quarter 2022. Volume production is expected to start in second to third quarter 2022.
- IPESSA Nano is a compact positioning module for applications, such as drones and small AGVs, where size and weight are key criteria. It is based on dual-antenna satellite receiver and inertial measurement unit. Otherwise, IPESSA Nano is a compromised solution with less features than IPESSA Tiny. Target to finish IPESSA Nano prototypes in 2nd quarter 2022 and run customer pilots in second to third quarter 2022. Expecting to start volume production by the end of 2022.

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

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

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

- ITR 2048: Linear array image sensor for Sony replacement

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2021, the Group has outstanding liabilities of approximately HK\$176 million comprising (i) trade and other payables of approximately HK\$15 million, (ii) amounts due to related parties of approximately HK\$21 million, (iii) bank loans of approximately HK\$85 million, (iv) convertible notes of approximately HK\$25 million and (v) other liabilities of approximately HK\$30 million. The bank borrowings are on floating interest rates basis.

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

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

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

CONTINGENT LIABILITIES

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

INTERIM DIVIDEND

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

PURCHASE, SALE AND REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The interim results for the six months ended 31 December 2021 has not been audited by the Group's auditor, but the Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2021.

CORPORATE GOVERNANCE

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

- the non-executive directors and independent non-executive directors are not appointed for a specific term in accordance with code provision A.4.1 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company.
- under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Certain independent non-executive directors of the Company were unable to attend the annual general meeting of the Company as they had other business commitment.
- under the Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Dr. Oung Shih Hua, James is the Chairman of the Company and the Company currently does not appoint any new Chief Executive Officer. In the opinion of the Board, Dr. Oung temporarily acts as the role of the Chief Executive Officer. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution.

- code provision A.5.6 requires that the nomination committee should have a policy concerning diversity of board members. The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

By order of the Board
Paladin Limited
Oung Shih Hua, James
Chairman

Hong Kong, 24 February 2022

As at the date of this announcement, the board of directors of Paladin Limited comprises:

Oung Shih Hua, James (*Executive director*)

Chan Chi Ho (*Non-executive director*)

Yuen Chi Wah (*Non-executive director*)

Luo Rongxuan (*Independent non-executive director*)

Liu Man Kin Dickson (*Independent non-executive director*)

Au Chik Lam Alexander (*Independent non-executive director*)