
THIS OPEN OFFER OFFERING DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this offering document or as to the action to be taken, you should consult your licenced securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Ordinary Shares in the Company, you should at once hand this offering document and the accompanying Application Forms to the purchaser or transferee or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

No application will be made for the listing of the Convertible Notes on The Stock Exchange of Hong Kong Limited or any other stock exchange. Accordingly, the Convertible Notes will not be accepted as eligible securities for deposit, clearance or settlement in CCASS.

The Offering Documents do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Convertible Notes and Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or other jurisdiction and are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and may not be offered, sold or otherwise transferred within the United States absent registration or any exemption from registration under the Securities Act. No public offering of the securities or the guarantee of the securities will be made in the United States or in any other jurisdiction where such an offering is restricted or prohibited.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of the Offering Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Offering Documents.

PALADIN LIMITED

(Incorporated in Bermuda with limited liability)

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

OPEN OFFER OF CONVERTIBLE NOTES WITH AN ORDINARY SHARE ALTERNATIVE

Terms used in this cover shall have the same meanings as defined elsewhere in this offering document.

The latest time for application, and payment for the Convertible Notes or the Ordinary Shares in assured allotments and in excess of assured allotments is 4:00 p.m. on Wednesday, 12 November, 2014. The procedures for application and payment, transfer or conversion of the Convertible Notes are set out on pages 12 to 14 of this offering document.

Shareholders should note that the Ordinary Shares have been dealt with on an ex-entitlement basis since 9:00 a.m. on Monday, 13 October, 2014 and that dealings in the Ordinary Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any Shareholder or other person contemplating dealing in Shares during such period are recommended to consult their own professional advisers.

The Open Offer is conditional upon, inter alia, the fulfilment and/or waiver of the conditions set out under the paragraphs headed “Conditions of the Open Offer”, “Conditions of the Underwriting Agreement” and “Termination of the Underwriting Agreement” in this offering document. If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

29 October, 2014

NOTICE

The Open Offer is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. Furthermore, if the conditions of the Open Offer are not fulfilled, the Open Offer may not proceed, in which case, a further announcement will be made by the Company at the relevant time. It should also be noted that the Ordinary Shares have been dealt with on an ex-Open Offer basis from Monday, 13 October, 2014. Such dealings will take place when the conditions of the Open Offer remain unfulfilled and the Underwriting Agreement is subject to termination. Any person dealing in the securities of the Company up to the date on which each such condition is fulfilled or waived and up to the latest time for termination (as defined herein) will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE OPEN OFFER DESCRIBED IN THIS OFFERING DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR BENEFICIAL SHAREHOLDERS IN THE SPECIFIED TERRITORIES. This offering document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Convertible Notes in any jurisdiction in which such an offer or solicitation is unlawful. None of the Convertible Notes, the new Ordinary Shares and the Offering Documents will be registered under the securities laws of either of the Specified Territories and none of the Convertible Notes, the new Ordinary Shares and the Offering Documents will qualify for distribution under any of the relevant securities laws of either of the Specified Territories. Accordingly, the Offering Documents, the Convertible Notes and the new Ordinary Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within either of the Specified Territories absent registration or qualification under the respective securities laws of such Specified Territories, or exemption from the registration or qualification requirement under applicable rules of such Specified Territories.

Shareholders with registered addresses in either of the Specified Territories and Shareholders who are residents of the Specified Territories are referred to the section of this offering document headed “Letter from the Board – Open Offer – Rights of the Overseas Shareholders and the Excluded Shareholders”.

NOTICE TO INVESTORS IN AUSTRALIA

This offering document is not an Australian prospectus and has not been registered, filed with or approved by any Australian regulatory authority under or in accordance with the Corporations Act (or any other Australian law). This offering document may not contain all the information that a prospectus prepared under Australian law is required to contain. The Convertible Notes and the Ordinary Shares in the Share Alternative are not being offered in Australia or to Excluded Shareholders in Australia and this offering document is being sent to them for information only. Application Forms are not being sent to such Shareholders.

NOTICE

NOTICE TO INVESTORS IN NEW ZEALAND

The Offering Documents are not New Zealand prospectuses or investment statements and have not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 or the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The Offering Documents may not contain all the information that a prospectus or an investment statement prepared under New Zealand law is required to contain. The Convertible Notes and the Ordinary Shares in the Share Alternative are not being offered in New Zealand or to Excluded Shareholders in New Zealand, and this offering document is being sent to them for information only. Application Forms are not being sent to the Shareholders in New Zealand.

FORWARD-LOOKING STATEMENTS

Statements in this offering document other than statements of historical fact are or may be forward looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this offering document include, without limitation, statements in respect of the Group’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this offering document are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this offering document not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of the Offering Documents. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in the Offering Documents, be it as a result of new information, future events or otherwise.

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DEFINITIONS

In this offering document, unless the context otherwise requires, the following expressions have the following meanings:

“AAF”	the form of application to apply for Convertible Notes or the Share Alternative in a Shareholder’s assured allotment
“acting in concert”	the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement dated 26 September, 2014 issued by the Company in relation to the Open Offer
“Application Forms”	the AAF and the EAF
“associate(s)”	the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Capital Distribution”	any dividend or distribution however described, whether of cash or assets in specie or other property by the the Company for any financial period, to the Shareholders
“Cash Settlement Amount”	the product of (i) the number of Ordinary Shares otherwise deliverable upon exercise of the conversion right in respect of the 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 delivery date of the notice of conversion by the relevant Noteholder
“Cash Settlement Option”	an option of the Company to pay to the relevant Noteholder an amount of cash in Hong Kong dollars equal to the Cash Settlement Amount in order to satisfy the Conversion Right of the Noteholder in respect of each Convertible Note
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Paladin”	Paladin Limited, a company incorporated in Bermuda with limited liability, the Ordinary Shares and Preference Shares of which are listed on the Main Board of the Stock Exchange (Stock Codes: 495 for Ordinary Shares, and 642 for Preference Shares)

DEFINITIONS

“Conversion Date”	the date on which a conversion notice is served
“Conversion Period”	the period commencing on the issue date of the Convertible Notes and ending on the tenth day last preceding the Maturity Date, subject to adjustment in certain circumstances
“Conversion Price”	the price at which each Ordinary Share will be issued upon conversion of the Convertible Notes
“Conversion Right(s)”	the right(s) of the holders of the Convertible Notes to convert the Convertible Notes held by them into new Ordinary Shares
“Convertible Notes”	the Unsecured Zero Coupon Participating Convertible Notes due 2024 be issued under the Open Offer
“Current Market Price”	in respect of the Ordinary Shares at a particular time on a particular date, the average of the closing prices quoted by the Stock Exchange for the twenty consecutive Trading Days ending on the Trading Day immediately preceding such date
“Director(s)”	the director(s) of the Company
“EAF”	the form of application to apply for Convertible Notes with the Share Alternative in excess of assured allotments
“Early Redemption Amount”	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 Convertible Notes on the redemption date specified therein
“Excluded Shareholders”	the Shareholders whose names appeared on the register of members of the Company at the close of business on the Record Date and whose addresses, as shown on such register, are in one of the Specified Territories, whom the Directors, after making relevant enquiries as required under Rule 13.36(2)(a) of the Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“Fair Market Value”	with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an independent investment bank; provided that (i) the fair market value of a cash dividend paid or to be paid per Ordinary Share shall be the amount of such cash dividend per Ordinary Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such independent investment bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Issue Date”	the date of creation of the Convertible Notes, expected to be on or around 20 November, 2014
“Last Trading Day”	4 August, 2014, being the last trading day before the Announcement and the date on which the Shares last traded on the Stock Exchange prior to the trading halt of the Shares at 1:00p.m. on that day
“Latest Practicable Date”	24 October, 2014, being the latest practicable date prior to the printing of this offering document for the purpose of ascertaining certain information for inclusion herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date ”	the tenth anniversary of the Issue Date
“Noteholder”	the registered holder of a Convertible Note
“Open Offer”	the Open Offer made hereby on the basis of assured allotments of one Convertible Note (with the Share Alternative of one new Ordinary Share) for every two existing Ordinary Shares held on the Record Date

DEFINITIONS

“Offering Documents”	this offering document and the Application Forms
“Ordinary Share(s)”	the ordinary share(s) of par value HK\$0.01 each in the issued share capital of the Company
“Ordinary Shareholder(s)”	holder(s) of Ordinary Share(s)
“Oung family concert group”	Mr. Oung Da Ming and parties acting in concert with him, namely, his brother, Mr. Oung Da Ming, James, his sisters Ms. Lilian Oung and Ms. Margaret Uon, the estate of the late Madam Oung Chin Liang Fung (mother of Mr. Oung Da Ming), Dr. Oung Shih Hua, James (nephew of Mr. Oung Da Ming) and companies controlled by them
“Overseas Shareholders”	Ordinary Shareholders whose addresses, as shown on the register of members of the Company on the Record Date, were outside Hong Kong
“PRC”	The People’s Republic of China which, for the purpose of this offering document excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Preference Share(s)”	the convertible redeemable preference shares of HK\$0.01 each in the issued share capital of the Company
“Preference Shareholder(s)”	holders of Preference Shares
“Qualifying Shareholder(s)”	Ordinary Shareholder(s) other than the Excluded Shareholder(s)
“Record Date”	17 October, 2014
“Redemption Amount”	the product of (i) the number of Ordinary Shares deliverable upon exercise of the Conversion Rights in respect of the Convertible Notes then outstanding on the Maturity Date and (ii) the subscription price of HK\$0.25 per new Ordinary Share
“Registrar”	Computershare Hong Kong Investors Services Limited, located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holders of Ordinary Shares and, or Preference Shares

DEFINITIONS

“Share(s)”	the Ordinary Share(s) and, or Preference Share(s)
“Share Alternative”	the share alternative to the Convertible Notes, on the basis of assured allotments of one Ordinary Share for every two existing Ordinary Shares held on the Record Date
“Specified Territories”	Australia and New Zealand
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.25 for each unit of the Convertible Note, being the face value of the Convertible Note
“subsidiary(ies)”	the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Trading Day(s)”	a day on which the Stock Exchange is open for dealing business
“Underwriter”	Gold Seal Holdings Limited
“Underwriting Agreement”	the agreement dated 26 September, 2014 entered into between the Company and Underwriter relating to the underwriting of the Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

EXPECTED TIMETABLE

Event	Time and date
	<i>2014</i>
Latest time for application, and payment, for the Convertible Notes or Ordinary Shares in assured allotments and in excess of assured allotments	4:00 p.m. on 12 November
Latest time for Underwriting Agreement to become unconditional.	12:00 noon on 14 November
Announcement of results of the Open Offer.	20 November
Certificates for the Convertible Notes and Ordinary Shares in the Share Alternative to be despatched on or before.	21 November
Refund cheques in respect of wholly or partially unsuccessful applications for excess Convertible Notes and, or Ordinary Shares in the Share Alternative to be posted on or before	21 November
Trading in Ordinary Shares in the Share Alternative	9:00 a.m. on 24 November

All dates and times referred to in the Offering Documents are Hong Kong local dates and times and are indicative only and may be extended or varied by the Company. Further announcement(s) will be made in the event that there is any change to the expected timetable for the Open Offer.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION AND PAYMENT

If there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- i. before 12:00 noon (Hong Kong time) but no longer in force after 12:00 noon (Hong Kong time) on the latest date for application and payment for the Convertible Notes or Ordinary Shares in the Share Alternative in Hong Kong, the latest time for acceptance will be extended to 5:00 p.m. (Hong Kong time) on the same day; or
- ii. between 12:00 noon and 4:00 p.m. (Hong Kong time) on the latest date for application of and payment for the Convertible Notes or Ordinary Shares in the Share Alternative in Hong Kong, the latest time for acceptance will be postponed to 4:00 p.m. (Hong Kong time) on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for application is not on 12 November, 2014, the dates mentioned above may be affected. The Company will notify the Shareholders by way of announcements about any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD

PALADIN LIMITED

(Incorporated in Bermuda with limited liability)

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

Executive Director

Dr. Oung Shih Hua, James (*Chairman*)

Non-executive Directors

Mr. Yuen Chi Wah

Mr. Chan Chi Ho

Independent non-executive Directors

Mr. Zhu Pei Qing

Mr. Kwok Wai Chi

Professor Huang Weizong Martin

Registered office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal office

Suite 2304, 23rd Floor, Sun Life Tower,
The Gateway,
Harbour City,
Tsim Sha Tsui,
Kowloon,
Hong Kong

29 October, 2014

*To the Qualifying Shareholders,
and for information only, the Excluded Shareholders*

Dear Sir or Madam,

OPEN OFFER OF CONVERTIBLE NOTES WITH AN ORDINARY SHARE ALTERNATIVE

(A) INTRODUCTION

On 26 September, 2014, the Board announced that Paladin proposed to raise up to HK\$125.9 million, before expenses, by way of an Open Offer to holders of Ordinary Shares of Convertible Notes in denominations of HK\$0.25 each to be issued at face value, with a Share Alternative of new Ordinary Shares at a subscription price of HK\$0.25 per Ordinary Share. Each Convertible Note will be convertible into one Ordinary Share. The Convertible Notes are being offered to the Qualifying Shareholders on the basis of assured allotments of one Convertible Note, with the Share Alternative of one new Ordinary Share, for every two existing Ordinary Shares held on the Record Date, being 17 October, 2014. Qualifying Shareholders may apply for any number of Convertible Notes or Ordinary Shares in the Share Alternative, or a combination of both, but are assured of allocations only up to the numbers in their assured allotments. Qualifying Shareholders will have the right to apply for Convertible Notes or Ordinary Shares in excess of their assured allotments, or a combination of both, but are not assured of receiving any Convertible Notes or Ordinary Shares in excess of those in their assured allotments. Allocations of Convertible Notes or Ordinary Shares to those who apply for more than their assured allotments will be made on an equitable basis.

The purpose of this offering document is to provide you with further details about the Open Offer including (i) the procedures for application and payment for the Convertible Notes or Ordinary Shares in the Share Alternative; and (ii) certain financial information of the Group; and (iii) general information of the Group.

LETTER FROM THE BOARD

(B) OPEN OFFER

Issue Statistics

Basis of the Open Offer	–	Assured allotments of one Convertible Note or one new Ordinary Share for every two existing Ordinary Shares held on the Record Date.
Issued share capital of the Company as at the Record Date	–	936,124,489 Ordinary Shares 71,143,529 Preference Shares
Subscription price for the Convertible Notes	–	100% of the principal amount of the Convertible Notes As each Convertible Note may be converted into one Ordinary Share, the subscription price effectively represents: (i) a discount of approximately 23.1% to the closing price of HK\$0.325 per Ordinary Share as quoted on the Stock Exchange on 4 August, 2014, being the date on which the Ordinary Shares last traded on the Stock Exchange prior to suspension of trading of the Shares at 1:00 p.m. on that day; (ii) a discount of approximately 21.5% to the average closing price per Ordinary Share as quoted on the Stock Exchange for the last ten trading days ended on 4 August, 2014 of approximately HK\$0.3185; (iii) a discount of approximately 7.4% to the theoretical ex-entitlement to Open Offer price of approximately HK\$0.27 per Ordinary Share based on the closing price of HK\$0.28 per Ordinary Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (iv) a discount of approximately 16.7% to the theoretical ex-entitlement to Open Offer price of approximately HK\$0.30 per Ordinary Share based on the closing price of HK\$0.325 per Ordinary Share as quoted on the Stock Exchange on 4 August, 2014, being the last trading day immediately preceding the resumption of trading in the Shares on 29 September, 2014

LETTER FROM THE BOARD

Subscription price for the new Ordinary Share in the Share Alternative	–	HK\$0.25 per Ordinary Share
Maximum principal amount of Convertible Notes to be issued (assuming no election for Share Alternative)	–	HK\$117,015,561
Maximum number of new Ordinary Shares to be issued in the Share Alternative (assuming 100% of Qualifying Shareholders elect for the Share Alternative)	–	468,062,244 (with an aggregate nominal value of HK\$4,680,622)
Net proceeds to be raised upon completion of the Open Offer	–	approximately HK\$0.24 per Convertible Note/ new Ordinary Share

New Ordinary Shares to be issued upon conversion of the Convertible Notes

The 468,062,244 new Ordinary Shares to be issued upon full exercise of the Conversion Rights of the Convertible Notes (assuming no application for the Share Alternative) at the initial Conversion Price, will represent approximately 50.00% of the issued ordinary share capital of the Company as at the Latest Practicable Date, and approximately 33.3% of the issued ordinary share capital as enlarged by the issue of new Ordinary Shares upon full exercise of the Conversion Rights of the Convertible Notes. Such number of new Ordinary Shares represents an aggregate nominal value of approximately HK\$4,680,622.

Basis and acceptance of the Open Offer

The Open Offer is on the basis of one Convertible Note of HK\$0.25 principal amount for every two existing Ordinary Shares held by the Qualifying Shareholders on the Record Date (with the Share Alternative). Application for all or part of a Qualifying Shareholder's assured allotment in the Open Offer can be made only by completing the AAF and lodging the same with a remittance for the Subscription Price.

Rounding down

Assured allotments in the Open Offer have been rounded down to the nearest whole number. Applications for fractions of Convertible Notes and, or the Ordinary Shares in the Share Alternative will not be accepted. Fractional Convertible Notes and, fractions of Ordinary Shares in the Share Alternative which would otherwise have been in assured allotments will be aggregated and made available for application by the Qualifying Shareholders who wish to apply for Convertible Notes and, or the Ordinary Shares in the Share Alternative in excess of their own assured allotments.

LETTER FROM THE BOARD

Outstanding convertible securities of the Company

As at the Latest Practicable Date, the Company had 71,143,529 outstanding Preference Shares entitling the holders thereof to convert them into a total of 71,143,529 Ordinary Shares.

Save for the Preference Shares as disclosed above, the Company had no other share options, warrants derivatives or other securities convertible into or exchangeable for the Ordinary Shares outstanding at the Latest Practicable Date.

Qualifying Shareholders

The Open Offer is available to the Qualifying Shareholders. The Company will send the Offering Documents to the Qualifying Shareholders. Qualifying Shareholders who do not apply and pay for their full assured allotments of Convertible Notes and, or the Ordinary Shares in the Share Alternative should note that their shareholding in the Company will be diluted if the Convertible Notes are converted into Ordinary Shares, or Ordinary Shares in the Share Alternative are issued.

Rights of the Overseas Shareholders and the Excluded Shareholders

The Offering Documents are not and will not be registered or filed under the applicable securities legislation of any jurisdictions. Overseas Shareholders may not be eligible to take part in the Open Offer as explained below.

According to the register of members of the Company as at the Record Date, the Company had sixty-one Overseas Shareholders whose registered addresses are in countries other than the Specified Territories, namely Canada, Cook Islands, Czech Republic, Fiji, the United Kingdom, India, the Macau Special Administrative Region of the PRC, Malaysia, Netherlands, Papua New Guinea, Singapore, Thailand, the United States of America and the British Virgin Islands. These Overseas Shareholders will not be treated as Excluded Shareholders pursuant to Rule 13.36(2)(a) of the Listing Rules.

Having made enquiries regarding the legal restrictions under the laws of Australia and New Zealand, and the requirements of the relevant regulatory bodies or stock exchanges, the Directors are of the view that it is necessary or expedient to exclude Shareholders in the Specified Territories, and such Overseas Shareholders will be regarded as Excluded Shareholders pursuant to Rule 13.36(2)(a) of the Listing Rules as the offering of the Convertible Notes with a Share Alternative of new Ordinary Shares to them would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable and the cost to be incurred would outweigh the benefits to the relevant Overseas Shareholders and the Company. The Company has sent a copy of this offering document to each of the Excluded Shareholders for information only, but not the Application Forms.

No action has been taken to permit the offering of the Convertible Notes or Ordinary Shares in the Share Alternative, or the distribution of this offering document or the Application Forms in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving a copy of this offering document or the Application Forms in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Convertible Notes or Ordinary Shares in the Share Alternative, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements.

LETTER FROM THE BOARD

It is the responsibility of any person (including but without limitation as principal nominee, agent, custodian and trustee) receiving a copy of this offering document or the Application Forms outside Hong Kong and wishing to apply for the Convertible Notes or new Ordinary Shares in the Share Alternative to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. The Company is not responsible for verifying the qualification of such Overseas Shareholders and/or residents in such territory or jurisdiction. The Company shall not be obliged to issue the Convertible Notes or Ordinary Shares in the Share Alternative to any such Overseas Shareholders and/or residents, if at the Company's absolute discretion issuing the Convertible Notes or Ordinary Shares in the Share Alternative to them will or might not comply with the relevant laws of such territory or jurisdiction. Any application by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional advisers.

Any Convertible Notes or new Ordinary Shares which would otherwise have been in the assured allotments of the Excluded Shareholders are available for application by the Qualifying Shareholders who wish to apply for the Convertible Notes and, or Ordinary Shares in the Share Alternative in excess of their own assured entitlements.

Procedures for application and payment

Qualifying Shareholders may apply for any number of Convertible Notes or Ordinary Shares in the Share Alternative, or a combination of both.

For each Qualifying Shareholder, an AAF is enclosed with this offering document which entitles Qualifying Shareholders to apply for the amount of the Convertible Notes, with a Share Alternative of new Ordinary Shares shown therein. If Qualifying Shareholders wish to exercise their rights to apply for all the Convertible Notes, with a Share Alternative of new Ordinary Shares specified in the enclosed AAF, Qualifying Shareholders must lodge the AAFs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application, with the Registrar at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on 12 November, 2014. All remittances must be made in Hong Kong dollars by cheques or banker's cashier orders. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "PALADIN LIMITED – OPEN OFFER ACCOUNT".

It should be noted that unless the relevant AAF, together with the appropriate remittance, has been lodged with the Registrar by not later than 4:00 p.m. on 12 November, 2014 by the relevant Qualifying Shareholder, the relevant offer will lapse.

The AAFs are for use only by the person(s) to whom they are addressed and are not transferable. The AAF contains the full information regarding the procedures to be followed if the Qualifying Shareholders wish to apply for only part of the Convertible Notes in their assured allotments and, or wish to apply for part of the Share Alternative, or a combination of both.

LETTER FROM THE BOARD

All cheques and banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies, if any, will be retained for the benefit of the Company. Completion and return of an AAF together with a cheque or banker's cashier order in payment for the Convertible Notes and, or new Ordinary Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. If any cheque or banker's cashier order is dishonoured on first presentation, the AAF is liable to be rejected. No receipt will be issued in respect of any application received.

If the conditions of the Open Offer are not fulfilled by the latest time for termination, the Open Offer will not proceed and the application monies, without interest, will be returned to the applicants by means of cheques crossed "Account Payee Only" and despatched by ordinary post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name first appears on the register of members of the Company, at the risk of such applicants, on or before 21 November, 2014.

Application for Convertible Notes with a Share Alternative of new Ordinary Share in excess of assured allotments

Qualifying Shareholders have the right to apply for the Convertible Notes, with the Share Alternative of new Ordinary Shares in excess of their own assured allotments. Any Convertible Notes, (with the Share Alternative of new Ordinary Shares) (i) not applied for by the Qualifying Shareholders in accordance with their assured allotments; (ii) to which the Excluded Shareholders would otherwise have been entitled; and (iii) created by adding together fractions of Convertible Notes and Ordinary Shares in any fractional assured allotments, will be made available for excess applications by the Qualifying Shareholders. Application for excess Convertible Notes, and new Ordinary Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Convertible Notes and/or new Ordinary Shares being applied for.

Qualifying Shareholders who apply for Convertible Notes and, or new Ordinary Shares in excess of their own assured allotments are not assured of being allocated any Convertible Notes and, or new Ordinary Shares, in excess of their assured allotments. The Directors will allocate the Convertible Notes, in excess of assured allotments at their discretion, but on a fair and equitable basis, to Qualifying Shareholders who apply for excess Convertible Notes, with the Share Alternative of new Ordinary Shares on a pro-rata basis with reference to the amount of excess Convertible Notes, with the Share Alternative of new Ordinary Shares applied for by the relevant Qualifying Shareholders. For the avoidance of doubt, the allocation of the Convertible Notes, with the Share Alternative of new Ordinary Shares in excess of assured allotments will not be based on the number of the Ordinary Shares held by the relevant Qualifying Shareholders and no preference will be given to topping-up odd lots to whole board lots of Ordinary Shares.

Qualifying Shareholders with their Ordinary Shares held by a nominee should note that the nominee (including HKSCC) is a single Ordinary Shareholder according to the register of members of the Company.

LETTER FROM THE BOARD

Application for excess Convertible Notes with the Share Alternative of new Ordinary Shares may be made by completing and signing the enclosed EAF in accordance with the instructions printed thereon and lodging it, together with a separate remittance for the full amount payable on application in respect of the excess Convertible Notes, or new Ordinary Shares applied for with the Registrar by not later than 4:00 p.m. on 12 November, 2014. All remittances must be made in Hong Kong dollars by cheques or cashier orders, and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “PALADIN LIMITED – EXCESS APPLICATION”.

If no excess Convertible Notes or new Ordinary Shares are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be refunded to such Qualifying Shareholders in full by ordinary post at their own risk to their registered addresses on or before 21 November, 2014. If the amount of excess Convertible Notes or new Ordinary Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application money is also expected to be refunded to such Qualifying Shareholders by ordinary post at their own risk to their registered addresses on or before 21 November, 2014. All cheques or cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier order in payment for the excess Convertible Notes with a Share Alternative of new Ordinary Shares, applied for will constitute a warranty by the applicant that the cheque or cashier order will be honoured on first presentation. If any cheque or cashier order is dishonoured on first presentation, the application is liable to be rejected.

Certificates and refund cheques

Subject to the fulfilment of the conditions of the Open Offer, certificates for the Convertible Notes, and new Ordinary Shares, if any, and refund cheques in respect of wholly or partially unsuccessful applications for the Convertible Notes, or new Ordinary Shares in excess of assured allotments are expected to be posted on or before 21 November, 2014 by ordinary post to the applicants at their own risk.

If the conditions of the Underwriting Agreement are not fulfilled and/or waived, the Open Offer will not proceed.

Conditions of the Open Offer

The Open Offer is conditional upon the Underwriting Agreement having become unconditional. The conditions to the Underwriting Agreement are set out in the paragraph headed “Conditions of the Underwriting Agreement” below.

LETTER FROM THE BOARD

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Ordinary Shares to be allotted and issued upon exercise of the Conversion Rights and those in the Share Alternative of new Ordinary Shares. None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought. No application will be made for the listing of, and permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchanges.

The Convertible Notes will not be eligible for admission to CCASS

The Convertible Notes are not listed on the Stock Exchange or any other stock exchange. No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. No application will be made for the admissibility, deposit, clearance or settlement of the Convertible Notes in CCASS. No transfer, clearing or settlement services will be provided by HKSCC in respect of the Convertible Notes. An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Ordinary Shares to be issued upon the exercise of the Conversion Rights and those (if any) issued under the Share Alternative. Subject to the granting of listing of, and permission to deal in, the new Ordinary Shares on the Stock Exchange, the new Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the new Ordinary Shares in the Share Alternative or issuable an exercise on Conversion Rights under the Convertible Notes or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the application for, acquisition, holding or disposal of, or dealings in the Convertible Notes and/or Ordinary Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility for any tax effects or liabilities of holders of the Convertible Notes or Ordinary Shares resulting from the application for, acquisition, purchase, holding or disposal of, or dealing in the Convertible Notes, or Ordinary Shares.

LETTER FROM THE BOARD

(C) SUMMARY OF THE PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

A summary of the principal terms of Convertible Notes is set out below.

Aggregate amount	–	HK\$117,015,561 assuming no election for the Share Alternative
Interest	–	Nil
Distributions	–	The Convertible Notes will have no entitlement to interest but if and whenever the Company shall pay or make any cash dividend or distribution of any kind or any distribution of assets in specie (other than distribution of Ordinary Shares or a Capital Distribution) to its Ordinary Shareholders (a “Distribution”), the Company shall, subject to compliance with relevant laws, rules, regulations and requirements in Hong Kong (including the Listing Rules and where applicable, shareholders’ approval requirements under the Listing Rules) and Bermuda at the same time pay or distribute to each Noteholder an amount of cash or other assets the subject matter of the Distribution which is equal to (i) the amount of cash or other assets the subject matter of the Distribution per Ordinary Share receivable by the Ordinary Shareholders under the Distribution, multiplied by (ii) the number of Ordinary Shares which the Noteholder would have become a holder of, had such Noteholder’s Convertible Notes then outstanding been converted on the relevant record date for determining entitlement to the Distribution.
Maturity	–	The date falling on the tenth anniversary of the date of issue of the Convertible Notes or if that is not a Business Day, the first Business Day thereafter, subject to the Company’s right of earlier redemption.
Conversion Rights and Conversion Price	–	Holders of the Convertible Notes will be entitled to convert (at a conversion price of HK\$0.25 per Convertible Note) each Convertible Note into one Ordinary Share, subject to adjustment provisions which are common for convertible securities of similar type.

LETTER FROM THE BOARD

The Conversion Price was determined after arm's length negotiations among the Company and the Underwriter having regard to the prevailing market price of the Ordinary Shares prior to the date of the Announcement and the business performance of the Group under the then prevailing market conditions.

Subject to, and upon compliance with, the provisions of the terms and conditions of the Convertible Notes, the Conversion Rights may be exercised at any time following the issue of the Convertible Notes up to the close of business on the tenth last day preceding to the Maturity Date. The number of the new Ordinary Shares to be issued upon conversion equals to the whole or such part of the principal amount of the Convertible Notes to be converted divided by the initial Conversion Price (subject to adjustments).

The adjustment events will include certain changes in the share capital of the Company including consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, rights issues of Ordinary Shares or options over Ordinary Shares, rights issues of other securities and modifications of rights of conversion, etc. Further information on adjustments to the Conversion Price is set out in the section headed "Adjustments to the Conversion Price" in Appendix III to this offering document. The Company will announce adjustments, if any, made to the Conversion Price.

Holders of the Convertible Notes will not be required to pay any extra amount should they convert their Convertible Notes into Ordinary Shares.

The certificates for the Ordinary Shares in respect of the conversion of Convertible Notes shall be available for collection by the relevant Noteholders after ten Business Days following the receipt of the conversion notice by the Registrar.

LETTER FROM THE BOARD

- Cash Settlement Option – Notwithstanding the Conversion Right of each Noteholder in respect of each Convertible Note, upon election of the Noteholder for conversion of any Convertible Note, in the event that the issue of new Ordinary Shares upon conversion of the Convertible Note will cause the public float of the Ordinary Shares to fall below the minimum prescribed percentage, the Company shall exercise the Cash Settlement Option, by issue of a written notice to the relevant Noteholder (within five Business Days after receipt of a conversion notice from the relevant Noteholders), to pay to the relevant Noteholder an amount of cash in Hong Kong dollars equal to the Cash Settlement Amount in order to satisfy such conversion right in full or in part. The Company shall pay to the relevant Noteholder the Cash Settlement Amount not less than ten Business Days but no later than fifteen Business Days following the issue of such notice.
- 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 Convertible Notes on the redemption date at a redemption price equal to the Early Redemption Amount. On the Maturity Date, all then outstanding Convertible Notes will automatically be converted into Ordinary Shares.
- Notwithstanding the automatic conversion of all outstanding Convertible Notes on the Maturity Date, in the event that automatic conversion of all outstanding 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 will have an option, at any time upon issue of a written notice to the relevant Noteholders no later than two Business Days prior to the Maturity Date, to redeem the Convertible Notes by paying to the relevant Noteholders an amount of cash in Hong Kong dollars equal to the Redemption Amount. The Company shall pay to the relevant Noteholders the Redemption Amount not less than ten Business Days but no later than fifteen Business Days following the issue of such notice.

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| Voting | – The Convertible Notes will not entitle the holders to attend or vote at general meetings of the Company or any meetings of any class of the Shares, by reason only of their being holders of Convertible Notes. |
| Ranking | – All the new Ordinary Shares, when allotted, issued and fully paid, upon completion of the Open Offer and conversion of the Convertible Notes, will rank <i>pari passu</i> in all respects with the Ordinary Shares in issue on the relevant date of registration of the new Ordinary Shares on the Company's register of members and shall accordingly entitle the holders thereof to participate in full in all rights as to dividends, voting and return of capital the record date for which falls on a date on or after the relevant date of registration. |
| Further issues | – The terms of the Convertible Notes will not prohibit further issues of notes or other debt obligations ranking <i>pari passu</i> or in priority to the Convertible Notes. |
| Status | – The Convertible Notes will on issue constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. The payment obligations of the Company under the Convertible Notes shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. |
| Registers of holders | – The Company will or will procure its principal share registrar and transfer office in Bermuda to maintain and keep the principal register and the Registrar to maintain and keep the branch register (the "Registers of Holders") on which the names and addresses of the holders of the Convertible Notes, the principal outstanding amounts of the Convertible Notes, the dates of the issue of the certificates of the Convertible Notes, the dates of all transfers and the names and addresses of all transferees, particulars of all conversions and redemptions of the Convertible Notes, and particulars of all cancellations and replacements of certificates of the Convertible Notes are entered. |

LETTER FROM THE BOARD

The registration of transfers may be suspended and the Registers of Holders may be closed at such times and for such periods as the Board may from time to time direct, provided that the same shall not be closed for a period in aggregate more than thirty (30) Business Days in any one year. Any transfer of Convertible Notes or exercise of the Conversion Rights while the Registers of Holders are so closed shall, as between the Company and the person claiming under the relevant transfer of the Convertible Notes or, as the case may be, as between the Company and the holders of the Convertible Notes who have so exercised their respective Conversion Rights (but not otherwise), be considered as made immediately after the re-opening of the Registers of Holders.

Transferability

- The Convertible Notes may be transferred or assigned in accordance with their terms.

Undertaking

- The Company will undertake that, for so long as the Convertible Notes remain outstanding, save with the approval of a written resolution of the Noteholders:
 - (i) it will use its best endeavours (a) to maintain a listing for all the issued Ordinary Shares on the Stock Exchange, and (b) to obtain and maintain a listing for all the new Ordinary Shares issued on the exercise of the Conversion Rights attaching to the Convertible Notes on the Stock Exchange, provided that if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Ordinary Shares on such other internationally recognised stock exchange commonly used for the listing of equity securities as it may from time to time determine with the approval of the Noteholders;
 - (ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, new Ordinary Shares arising on conversion of the Convertible Notes;

LETTER FROM THE BOARD

- (iii) it will make such notifications and effect all filings in respect of the Company and its assets required to be filed, recorded or enrolled with any court or other authority in Hong Kong (including but not limited to the Stock Exchange) in accordance with any applicable requirement of law or regulatory direction and ensure that such notifications and filings are at all times reviewed and maintained in accordance with any applicable requirement of law or regulatory direction;
- (iv) it will not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of ordinary share capital carrying any rights which are more favourable than the rights attaching to Ordinary Shares but so that nothing in this paragraph (ii) shall prevent (a) the offer or grant of options for the subscription of or the issue of equity share capital to eligible participants in accordance with the rules under any Employee Ordinary Share Scheme of the Company effective as of the Issue Date, (b) a consolidation or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa, (c) a modification to the rights attaching to the Ordinary Shares which is not, in the opinion of an independent investment bank, materially prejudicial to the interests of the Noteholders, or (d) the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the articles of association of the Company to enable title to securities of the Issuer (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the articles of association of the Company made in connection with the matters described in this paragraph (ii) or which are supplemental or incidental to any of the foregoing (including amendments made to enable or facilitate procedures relating to such matters and amendments dealing with the rights and obligations of holders of securities (including Ordinary Shares) dealt with under such procedures;

LETTER FROM THE BOARD

- (v) its performance of the Convertible Notes, the offer and issue of the Convertible Notes, the issue of the new Ordinary Shares upon conversion of the Convertible Notes and compliance with the terms hereof and thereof do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under any indenture, contract, lease, trust deed, mortgage, note agreement, loan agreement or other agreement or instrument, obligation, condition, covenant to which any member of the Group is a party or by which any of them or any of their respective properties or assets is subject or bound or result in the imposition of any lien, charge or any other encumbrance upon any properties or assets of any member of the Group;
- (vi) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and results in (or would, but for the provision of these conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made; and
- (vii) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Ordinary Shares of the Company, provided always that the Company shall not be prohibited from purchasing its Ordinary Shares to the extent permitted by law.

LETTER FROM THE BOARD

Conversion arrangement and
procedures

- (i) To exercise the Conversion Right attaching to any Convertible Note, the Noteholder thereof must complete, execute and deposit at his own expense during normal business hours at the specified office of the Registrar a conversion notice, together with the relevant certificate(s) and confirmation that any amounts required to be paid by the Noteholder under paragraph (ii) below have been so paid during the Conversion Period. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations.
- (ii) A Noteholder delivering a certificate in respect of a Convertible Note for conversion must pay directly to the relevant authorities (a) any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Hong Kong and, if relevant, in the place of the alternative stock exchange, by the Company in respect of the allotment and issue of Ordinary Shares and listing of the Ordinary Shares on the Stock Exchange or the alternative stock exchange on conversion) and (b) all, if any, taxes arising by reference to any disposal or deemed disposal by it of a Convertible Note in connection with such conversion (together, "Taxes"). The Company will pay all other expenses arising on the issue of Ordinary Shares on conversion of Convertible Notes. The Noteholder must declare in the relevant conversion notice that any Taxes have been paid to the relevant tax authorities pursuant to this condition.
- (iii) As soon as practicable, and in any event not later than ten Business Days after the Conversion Date, the Company will, in the case of Convertible Notes converted on exercise of the Conversion Rights and in respect of which a duly completed conversion notice has been delivered and the relevant certificates and amounts payable by the relevant Noteholder as required by sub-paragraphs (i) and (ii) above have been paid:

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- a) register the person or persons designated for the purpose in the conversion notice as holder(s) of the relevant number of Ordinary Shares in the Company's register of members;
- b) (x) if the Noteholder has also requested in the conversion notice and for so long as the Ordinary Shares are listed on the Stock Exchange to the extent permitted under the rules and procedures of the CCASS effective from time to time, take all necessary action to procure that Ordinary Shares are delivered through CCASS, or (y) will make such certificate or certificates representing the Ordinary Shares available for collection at the office of the Company's share registrar in Hong Kong such certificate or certificates to the person and at the place specified in the conversion notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Convertible Notes and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Ordinary Shares issued on conversion of Convertible Notes subject to the same conversion notice and which are to be registered in the same name.

The person or persons specified for that purpose in the conversion notice will become the holder of record of the number of Ordinary Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "Registration Date"). The Ordinary Shares issued upon conversion of the Notes will be fully-paid and in all respects rank *pari passu* with the Ordinary Shares in issue on the relevant Registration Date. Save as set out in these conditions, a holder of Ordinary Shares issued on conversion of any Convertible Note shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

LETTER FROM THE BOARD

Procedures for transfer of the Convertible Notes – The Convertible Notes may be transferred or assigned from time to time in accordance with their terms.

The register of holders of Convertible Notes will be maintained in Bermuda. Computershare Hong Kong Investor Services Limited has been appointed as the branch registrar of the Convertible Notes and the transfer agent in Hong Kong to receive documents in respect of splitting and registration of transfer of the Convertible Notes and to submit the same to the Registrar for registration. The provisions in the Bye-laws of the Company relating to registration, transmission and transfer of Shares shall apply to the registration, transmission and transfer of Convertible Notes *mutatis mutandis*.

The instrument of transfer can be obtained at the office of the Registrar at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and the signed instrument of transfer may be delivered for registration at the aforesaid office of the Registrar between 9:00 a.m. and 4:30 p.m. on any Business Day.

Any transfer of Convertible Notes may not be registered unless:

- (i) the instrument of transfer is to no more than four joint holders;
- (ii) the instrument of transfer is accompanied by the relevant certificate(s) of Convertible Notes and such other evidence as may reasonably be required to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (iii) if applicable, the instrument of transfer is duly and properly stamped.

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A fee will be charged by the Registrar for the transfer of Convertible Notes, currently being HK\$2.50 per certificate using the ten Business Days' service, which is the same as the fee charged by it for the transfer of Ordinary Shares.

Each new certificate to be issued upon a transfer of the Convertible Notes will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Registrar from the tenth Business Day onwards following receipt of the documents specified above by the Registrar and upon production of such identification papers as may be reasonably requested by the Company or the Registrar.

Where some but not all of the Convertible Notes in respect of which a certificate is issued are to be transferred, the holder must first split the certificate by lodging it with the Registrar and a new certificate in respect of the balance of the Convertible Notes not so transferred will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Registrar from the tenth Business Day onwards following receipt of the documents specified above by the branch registrar of Convertible Notes and upon production of such identification papers as may be reasonably requested by the Company or the branch registrar of Convertible Notes.

Listing

No application will be made to the Stock Exchange to list the Convertible Notes, but it is a condition of the issue of the Convertible Notes that a listing is granted in respect of the Ordinary Shares falling to be issued upon conversion of the Convertible Notes and those under the Share Alternative.

The Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares falling to be issued upon conversion of the Convertible Notes and the new Ordinary Shares to be issued under the Share Alternative.

LETTER FROM THE BOARD

(D) UNDERWRITING AGREEMENT

Principal terms of the Underwriting Agreement

Date	–	26 September, 2014
Underwriter	–	Gold Seal Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability. It is not in its ordinary course of business to underwrite issue of securities.
Dollar value of Convertible Notes and Ordinary Shares underwritten	–	HK\$98,041,894.1 being the maximum principal amount of the Convertible Notes and Ordinary Shares to be issued under the Open Offer excluding those that are the subject of the irrevocable undertakings referred to below.
Commission	–	A commission at the rate of 2% of the Subscription Price of the underwritten Convertible Notes as determined on the settlement date on 14 November, 2014, will be charged by Gold Seal Holdings Limited.

The commission payable to the Underwriter was determined after arm's length negotiations among the Company and the Underwriter with reference to prevailing market rate at the date of the Underwriting Agreement. The Directors are of the view that the underwriting commissions are in line with the market rate and that the commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are of the view that the Underwriting Agreement is on normal commercial terms.

Irrevocable undertakings

Gold Seal Holdings Limited as the underwriter will underwrite all the Convertible Notes and Ordinary Shares in the Share Alternative excluding the Convertible Notes to be applied for by those Ordinary Shareholders that have given irrevocable undertakings as described below, on the terms and subject to the conditions of the Underwriting Agreement. All the legal costs incurred in the preparation of the Underwriting Agreement will be borne by the Company. At the Latest Practicable Date, Mr. Oung Da Ming owned 50,000,000 Ordinary Shares, representing 5.34% of the existing issued Ordinary Shares. Dr. Oung Shih Hua, James owned 7,000,000 Ordinary Shares and 2,500,000 Preference Shares, representing 0.75% and 3.5% of the existing issued Ordinary and Preference Shares, respectively. Each of Gold Seal Holdings Limited, Mr. Oung Da Ming and Dr. Oung Shih Hua, James has irrevocably undertaken to Paladin that it/he will apply in full for its/his assured allotment of Convertible Notes in the Open Offer and will not elect for the Share Alternative, and not to sell or convert any Shares until the Open Offer has either been closed or terminated.

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Conditions of the Underwriting Agreement

The Underwriting Agreement was conditional upon, amongst other things, fulfilment of the following:

- (i) the registration of the relevant documents, together with all other consents and documents required to be endorsed on or attached to the relevant documents on or before the posting date with the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong (if required);
- (ii) the delivery of one copy of the relevant documents relating to the Open Offer to the Stock Exchange on or prior to the offering document posting date;
- (iii) the posting of the Offering Documents to the Qualifying Shareholders on the offering document posting date; and
- (iv) the Stock Exchange granting a listing of the Ordinary Shares falling to be issued upon conversion of the Convertible Notes and the new Ordinary Shares falling to be issued under the Share Alternative.

In the event that the above conditions of the underwriting agreement have not been satisfied on or before 12 November, 2014 (or such later date as the Underwriter and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other save in respect of certain costs and expenses.

As the Latest Practicable Date, all the conditions above have been fulfilled excepted that in (iv) as set out above.

Termination of the Underwriting Agreement

Gold Seal Holdings Limited may terminate the arrangements set out in the Underwriting Agreement by notice in writing to the Company at any time prior to 4:00 p.m. on the second Business Day following the latest day for application for the Convertible Notes in assured allotments or the Share Alternative if there occurs, amongst other things:

- (i) any material change in existing law or regulation or other occurrence of any nature of any local, national or international event or any change of a political, military, financial, economic, currency or other nature affecting local securities market or the occurrence of any combination of circumstances which may, in the opinion of the underwriter, adversely affect the business or the financial or trading position or prospects of the Group or adversely prejudice the success of the Open Offer or the taking up of the Convertible Notes, making it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Open Offer; or

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- (ii) any change in market conditions in Hong Kong (including without limitation suspension or material restriction or trading in securities) which affect the success of the Open Offer or otherwise in the opinion of the Underwriter makes it inexpedient or inadvisable or inappropriate for the Company or the Underwriter to proceed with the Open Offer; or
- (iii) any change in the circumstances of Company or any other members of the Group which may, in the opinion of the Underwriter, adversely affect the prospects of the Company.
- (iv) upon giving the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and terminate and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except for, inter alia, the payment by the Company of any fees incidental to the Open Offer.

Information about the Underwriter

Gold Seal Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability. Its ultimate beneficial shareholders are Mr. Oung Da Ming who owns 66.7% of its issued shares, and Ms. Uon Margaret, sister of Mr. Oung Da Ming, who owns 33.3% of its issued shares. The directors of Gold Seal Holdings Limited are Mr. Oung Da Ming, his sister Ms. Uon Margaret and his daughter Ms. Chou Ching Chun. As at the Latest Practicable Date, Gold Seal Holdings Limited, held 10.13% of the issued Ordinary Shares and 1.38% of the issued Preference Shares, and was a substantial shareholder of the Company.

Listing Rules implications

The Open Offer is not subject to the shareholders' approval requirements under Rule 7.24(5) of the Listing Rules.

Gold Seal Holdings Limited is a substantial Shareholder and thus a connected person of the Company under the Chapter 14A of the Listing Rules. Pursuant to Rules 14A.92(1) and (2)(b) of the Listing Rules, its participation in the Open Offer is exempt from the reporting, announcement and independent shareholders' approval requirements.

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(E) WARNING OF THE RISK OF DEALING IN THE SHARES

Shareholders and potential investors in the Company should note that the Open Offer is conditional upon the fulfilment of the conditions set out in the paragraph headed “Conditions of the Open Offer” and above. Accordingly, the Open Offer may or may not proceed.

Shareholders should note that the Ordinary Shares have been dealt in on ex-Open Offer basis commencing from 13 October, 2014 and that dealings in Ordinary Shares will take place while a condition to which the Open Offer is subject remains unfulfilled. Any Shareholder or other person dealing in Ordinary Shares up to the date on which such condition to which the Open Offer is subject is fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholder or other person contemplating dealing in Ordinary Shares should therefore exercise caution and if he or she is in any doubt about his or her position, he or she is recommended to consult his or her professional adviser.

(F) GENERAL NATURE OF BUSINESS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road and, investment holding.

(G) REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

As at 30 June, 2014, the net current liabilities of the Group were some HK\$164 million. The current ratio was approximately 0.82. The pledged bank deposits, bank balances and cash were some HK\$50.6 million. For the full year ended 30 June, 2014, Paladin had a negative cash flow from operating activities of some HK\$52.9 million. Paladin has a high level of borrowing and relies to a material extent on bank borrowing. As at 30 June, 2014, Paladin had outstanding indebtedness borrowings of some HK\$863.53 million comprising (i) secured bank loans of some HK\$748.4 million; (ii) amount due to directors of subsidiaries of some HK\$0.23 million; and (iii) other payables of some HK\$114.9 million. The Open Offer is therefore designed to raise funds to meet the Group’s working capital requirements in the near term.

The subscription price of the Convertible Notes represents (i) a discount of 23.1% to the closing price of the Ordinary Shares of HK\$0.325 on 4 August, 2014; and (ii) a discount of approximately 16.7% to the theoretical ex-Open Offer entitlement price of approximately HK\$0.30 per Ordinary Share based on the closing price of the Ordinary Shares of HK\$0.325 on 4 August, 2014. The Board considers the subscription price to be fair to Shareholders.

The net proceeds of the Open Offer are expected to be approximately HK\$112.0 million, and will be used by the Company for general working capital purposes.

LETTER FROM THE BOARD

(H) CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows certain possible effects of the Open Offer on the shareholding structure of Paladin (assuming no issue or repurchase of Ordinary Shares before conversion of the relevant Convertible Notes):

	As at the Latest Practicable Date				Assuming every Ordinary Shareholder applies for full assured allotment of Convertible Notes and converts all Convertible Notes into Ordinary Shares immediately					
	Ordinary		Preference		Convertible		Ordinary		Preference	
	Shares held	%	Shares held	%	Notes held	%	Shares held	%	Shares held	%
Mr. Oung Da Ming (Note 1)	50,000,000	5.34%	–	0.00%	25,000,000	32.94%	50,000,000	3.76%	–	0.00%
Gold Seal Holdings Limited (Note 1)	94,789,336	10.13%	988,100	1.39%	47,394,668	62.45%	94,789,336	7.14%	988,100	1.39%
Cityguard Holdings Limited (Notes 1)	508,848,531	54.36%	–	0.00%	–	0.00%	763,272,796	57.46%	–	0.00%
Dr. Oung Shih Hua, James (Note 1)	7,000,000	0.75%	2,500,000	3.51%	3,500,000	4.61%	7,000,000	0.53%	2,500,000	3.51%
Sward Finance Limited (Note 1)	200,000	0.02%	–	0.00%	–	0.00%	300,000	0.02%	–	0.00%
Goldenfield Equities Limited (Note 2)	29,449,000	3.15%	9,099,014	12.79%	–	0.00%	44,173,500	3.33%	9,099,014	12.79%
Public	245,837,622	26.26%	58,556,415	82.31%	–	0.00%	368,756,433	27.76%	58,556,415	82.31%
Total	936,124,489	100.00%	71,143,529	100.00%	75,894,668	100.00%	1,328,292,065	100.00%	71,143,529	100.00%
Oung family concert group	660,837,867	70.59%	3,488,100	4.90%	75,894,668	100.00%	915,362,132	68.91%	3,488,100	4.90%

	Assuming no Ordinary Shareholders apply for their assured allotment under the Open Offer other than Shareholders who have given irrevocable undertakings, and before conversion of all the Convertible Notes underwritten						Assuming no Ordinary Shareholders apply for their assured allotment under the Open Offer other than Shareholders who have given irrevocable undertakings, and conversion of all Convertible Notes underwritten other than those the subject of irrevocable undertakings					
	Convertible		Ordinary		Preference		Convertible		Ordinary		Preference	
	Notes held	%	Shares held	%	Shares held	%	Notes held	%	Shares held	%	Shares held	%
Mr. Oung Da Ming (Note 1)	25,000,000	5.34%	50,000,000	5.34%	–	0.00%	25,000,000	32.94%	50,000,000	3.76%	–	0.00%
Gold Seal Holdings Limited (Note 1)	439,562,244	93.91%	94,789,336	10.13%	988,100	1.39%	47,394,668	62.45%	486,956,912	36.66%	988,100	1.39%
Cityguard Holdings Limited (Notes 1)	–	0.00%	508,848,531	54.36%	–	0.00%	–	0.00%	508,848,531	38.31%	–	0.00%
Dr. Oung Shih Hua, James (Note 1)	3,500,000	0.75%	7,000,000	0.75%	2,500,000	3.51%	3,500,000	4.61%	7,000,000	0.53%	2,500,000	3.51%
Sward Finance Limited (Note 1)	–	0.00%	200,000	0.02%	–	0.00%	–	0.00%	200,000	0.02%	–	0.00%
Goldenfield Equities Limited (Note 2)	–	0.00%	29,449,000	3.15%	9,099,014	12.79%	–	0.00%	29,449,000	2.22%	9,099,014	12.79%
Public	–	0.00%	245,837,622	26.26%	58,556,415	82.31%	–	0.00%	245,837,622	18.51%	58,556,415	82.31%
Total	468,062,244	100.00%	936,124,489	100.00%	71,143,529	100.00%	75,894,668	100.00%	1,328,292,065	100.00%	71,143,529	100.00%
Oung family concert group	468,062,244	100.00%	660,837,867	70.59%	3,488,100	4.90%	75,894,668	100.00%	1,053,005,443	79.28%	3,488,100	4.90%

Notes:

- These Shareholders are members of the Oung family concert group. At the Latest Practicable Date, Oung family concert group was beneficially interested in an aggregate of 660,837,867 Ordinary Shares and 3,488,100 Preference Shares, representing approximately 70.59% and 4.90% of the existing issued ordinary and preference share capital of Paladin respectively.

LETTER FROM THE BOARD

2. Goldenfield Equities Limited is a presumed concert party of the Oung family concert group under paragraphs (1) and (8) of the definition of acting in concert under the Takeovers Code but it is not included in the calculation of the Shares held by the Oung family concert group in respect of the Company due to differences of opinion with the Oung family concert group. Its directors are Mr. Oung Da Ming, his sister, Ms. Lilian Oung and his nephew, Dr. Oung Shih Hua, James. It is owned as to 40% by Ms. Lilian Oung, 40% by her son Mr. Chen Te Kuang Mike, and 20% by Dr. Oung Shih Hua, James.
3. The public float in respect of the Ordinary Shares of 18.51% shown in the table above is for illustration purpose only. As mentioned above, Noteholders shall not have the right to convert the whole or part of the principal amount of the Convertible Notes into Ordinary Shares to the extent that immediately after such conversion there will not be sufficient public float of the Ordinary Shares as required under the Listing Rules.

(I) FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company had not conducted any fund raising exercise during the last 12 months preceding the date of the Announcement save for loans borrowed from third parties and, or related parties and the proposed placing announced on 29 April, 2014, which lapsed and did not proceed.

(J) LATEST DEVELOPMENT OF THE GROUP

Your attention is drawn to the Group's 2014 annual report published on 29 October, 2014, including the independent auditor's report and the audited financial statements for the financial year ended 30 June, 2014 on both the websites of the Company (<http://www.aplushk.com/clients/00495paladin/>) and the website to the Stock Exchange (<http://www.hkexnews.hk>).

(K) ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this offering document.

Yours faithfully
By order of the board of directors of
Paladin Limited
Oung Shih Hua, James
Chairman

(I) FINANCIAL STATEMENTS OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 30 June, 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the three years ended 30 June, 2012 (pages 23 to 95), 2013 (pages 22 to 93) and 2014 (pages 23 to 93). The published unaudited condensed consolidated financial statements of the Group for the six months ended 31 December, 2013 are disclosed in the interim report of the Company for the six months ended 31 December, 2013 (pages 7 to 30). The aforesaid financial information can be accessed on the website of the Company (<http://www.aplushk.com/clients/00495paladin/>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

The said financial statements are hereby incorporated by reference in, and form an integral part of, the Offering Documents.

(II) MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of an material adverse change in the financial or trading position of the Group since 30 June, 2014 (being the date to which the latest published audited financial statements of the Company were made up).

(III) STATEMENT OF INDEBTEDNESS

At the close of business on 31 August, 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this offering document, the Group had (i) bank loans of approximately HK\$740,640,000 and bank overdrafts of approximately HK\$44,853,000, which are wholly secured; (ii) amount due from a director of a subsidiary of approximately HK\$231,000, which is unsecured; and (iii) liability component of Preference Shares of approximately HK\$13,606,000, which is unsecured.

As at 31 August, 2014, the Group had convertible redeemable preference shares, of which the liability component was approximately HK\$13,606,000. The principal amount of authorized but unissued Preference Share is approximately HK\$10,059,000.

As at 31 August, 2014, the Group had pledged (i) bank deposits of HK\$50,577,000; (ii) investment properties with a total carrying amount of HK\$243,640,000; (iii) certain properties held for sale with a total carrying amount of HK\$694,603,000; and (iv) deposits placed for a life insurance policy with a total carrying amount of HK\$20,909,000 to secure banking facilities granted to the Group, in which the banking facilities amounted to HK\$556,794,000 are also supported by personal guarantees given by certain directors and related parties.

As at 31 August, 2014, being the latest practicable date for the purpose of ascertaining indebtedness of the Group prior to the printing of this offering document, the Group is the defendant of the following legal cases, in which the Directors are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained.

- (a) On 17 May, 2006, Chinese Regency Limited (“Chinese Regency”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood Limited (“Holyrood”), a subsidiary of the Company, a total sum of amount not less than HK\$5,760,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 5th Floor of Block A1 and the car parking space No. 5 located in Nos. 8, 10 and 12 Peak Road. Pursuant to the Court order, Chinese Regency filed an amended statement of claim on 24 May, 2013 and Holyrood filed an amended statement of defence on 5 July, 2013. Also, pursuant to the Court order dated 18 December, 2013, both parties are to exchange expert reports, witness statements and further filed a joint expert report on 8 May, 2014. The first case management conference was held on 5 September, 2014 during which certain directions were given by the Court as to the further conduct of the proceedings. A second case management conference is scheduled for 12 March, 2015. Before the said case management conference on 2 September, 2014, Chinese Regency sought an order (the “Summons”) that unless Ms. Lilian Oung attends the trial for cross examinations, the Company be debarred from adducing the witness statements of Ms. Lilian Oung as evidence in these proceedings. The Company is opposed to the Summons and the case is adjourned for substantive argument on 6 January, 2015. The litigation is still on going and there is no further update on the case up to the date of this offering document.
- (b) On 1 June, 2007, Gateway International Development Limited (“Gateway”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$5,048,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat A on the 6th Floor of Block A2 and the car parking space No. 51 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. The judgment was handed down on 1 March, 2012 against Holyrood. Holyrood was ordered to pay Gateway the sum of HK\$4,967,000 plus interest. The judge has also made a costs order nisi that Holyrood shall pay the legal costs of Gateway on an indemnity basis, which is approximately HK\$4,000,000. Holyrood has filed a notice of appeal on 29 March, 2012 against the judgment. The appeal was heard on 25 and 26 June, 2013. On 11 October, 2013, the Court of Appeal delivered judgment dismissing the appeal as regards liability but allowing the appeal as regards quantum (the “Appeal Judgment”). On 13 May, 2014, an application for leave to appeal was filed to the Appeal Committee of the Court of Final Appeal to seek leave of the Appeal Judgment and the leave application was heard on 6 October, 2014 and leave was refused with indemnity cost awarded against Holyrood.

Pursuant to the Appeal Judgment, the damage awarded to the Company is reduced to HK\$3,258,328.

During the year ended 30 June, 2012, Holyrood paid a deposit of HK\$6,692,000 to the Court of Appeal, representing the aggregate of (i) the damages of HK\$4,967,000 and (ii) interest of HK\$1,725,000. The deposit was written off against the damages and interest expenses and charged to profit or loss during the year ended 30 June, 2012. The legal cost of HK\$4,000,000 was also charged to profit or loss during the year ended 30 June, 2012.

- (c) On 1 June, 2007, Sun Crown Trading Limited (“Sun Crown”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$5,154,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 6th Floor of Block A2 and the car parking spaces Nos. 47 and 48 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. The judgment was handed down on 1 March, 2012 against Holyrood. Holyrood was ordered to pay Sun Crown the sum of HK\$4,953,000 plus interest. The judge has also made a costs order nisi that Holyrood shall pay the legal costs of Sun Crown on an indemnity basis, which is approximately HK\$4,000,000. Holyrood has filed a notice of appeal dated 29 March, 2012 against the judgment. The appeal was heard on 25 and 26 June, 2013. On 11 October, 2013, the Court of Appeal delivered judgment dismissing the appeal as regards liability but allowing the appeal as regards quantum (the “Appeal Judgment”). On 13 May, 2014, an application for leave to appeal was filed to the Appeal Committee of the Court of Final Appeal to seek leave of the Appeal Judgment and the leave application was heard on 6 October, 2014 and leave was refused with indemnity cost awarded against Holyrood.

Pursuant to the Appeal Judgment, the damage awarded to the Company is reduced to HK\$3,260,008.

During the year ended 30 June, 2012, Holyrood paid a deposit of HK\$6,685,000 to the Court of Appeal, representing the aggregate of (i) the damages of HK\$4,953,000 and (ii) interest of HK\$1,732,000. The deposit was written off against the damages and interest expenses and charged to profit or loss during the year ended 30 June, 2012. The legal cost of HK\$4,000,000 was also charged to profit or loss during the year ended 30 June, 2012.

- (d) On 18 July, 2011, Century Pacific Holdings Limited (“Century Pacific”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$2,360,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 3rd Floor of Block A2 and the car parking space No. 38 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. On 24 December, 2012, Holyrood filed the statement of defence and Century Pacific filed their reply on the statement of defence. The litigation is still on going and there is no further update on the case up to the date of this offering document.

Based on the legal advice obtained by the Group, except for the damage, interest and legal cost stated in (b) and (c) above, the Board is of the opinion that the remaining cases are ongoing and the Group is unable to evaluate the likely outcome of the actions. Accordingly, no provision is considered necessary.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 August, 2014 any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, charges, hire purchases commitments, guarantees or other material contingent liabilities.

(IV) WORKING CAPITAL

Taking into account the financial resources available to the Group, including the internally generated funds, the bank loans available during the period, and the estimated net proceeds of the Open Offer, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this offering document.

(V) FINANCIAL AND TRADING PROSPECTS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road (the “Peak Road Project”) and investment holding. For the year ended 30 June, 2014, none of the apartment units of the Peak Road Project were sold following demand suppressing policies launched by the Hong Kong Government in 2013.

For the year ended 30 June, 2014, the Group recorded audited net profit of approximately HK\$195.5 million which was mainly contributed by the disposal of the office premise located at Unit 01, 45th floor, Office Tower, Convention Plaza No. 1 Harbour Road, Wanchai, Hong Kong. The Group’s net current liabilities amounted to HK\$164.5 million as at 30 June, 2014.

The net proceeds generated from the completion of the Open Offer will be used as working capital for the Group.

The management of the Company has adopted a strategy to focus on the completion of the Peak Road Projects and to proactively search for potential investment opportunities. Going forward, the management of the Company is optimistic about the returns from the Peak Road Project that is expected to significantly improve the Group’s financial position and generate stable income for the Group.

For illustrative purposes, the financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by the completion of the Open Offer as if the Open Offer has been completed on 30 June, 2014.

The unaudited pro forma financial information should be read in conjunction with Appendix I headed "Financial Information of the Group" in this offering document, and the annual report of the Company for the financial year ended 30 June, 2014.

(I) ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June, 2014, as extracted from the annual report of the Company for the year ended 30 June, 2014 and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules and is set out here to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June, 2014 as if it had taken place on 30 June, 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Open Offer been completed as of 30 June, 2014 or at any future date.

Scenario 1: Assuming every Ordinary Shareholder applies for full assured allotment of Convertible Notes and converts all Convertible Notes into Ordinary Shares immediately (other than the Shareholders who have given irrevocable undertakings that it/he will not convert any Convertible Notes until the Open Offer has either been closed or terminated)

			Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer
Audited consolidated net tangible assets of the Group as at 30 June, 2014 (Note 1) HK\$'000	Estimated net proceeds from the Open Offer (Note 2) HK\$'000	Estimated net pro forma fair value of Convertible Notes (Note 3) HK\$'000	HK\$'000
151,275	114,516	(18,569)	247,222
			HK\$
Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer per share (Note 4)			0.19

Notes:

1. The audited consolidated net tangible assets of the Group as at 30 June, 2014 is based on the net assets of the Group amounting to HK\$151,275,000 extracted from the annual report of the Company for the year ended 30 June, 2014.
2. The estimated net proceeds from the Open Offer are based on 468,062,244 Open Offer of Convertible Notes in denominations of HK\$0.25 each and issued at its face value, amounting to approximately HK\$117,016,000 in aggregate, after deducting the estimated related expenses of approximately HK\$2,500,000 to be incurred by the Company.
3. The estimated net pro forma fair value of Convertible Notes represents the Convertible Notes held by Shareholders who have given irrevocable undertakings that it/he will not convert any Convertible Notes until the Open Offer has either been closed or terminated, which amounts to 75,894,668 Convertible Notes in denominations of HK\$0.25 each, amounting to approximately HK\$18,974,000, after deducting the estimated related expenses of approximately HK\$405,000, which is attributable to this portion of the Convertible Notes, calculated as a pro rata share of the total estimated related expenses of approximately HK\$2,500,000 to be incurred by the Company.

The Convertible Notes will be issued at par of HK\$0.25 each. They bear no coupon interest and will be mandatory converted into Ordinary Shares of the Company on the tenth anniversary of the date of issue of the Convertible Notes. The Convertible Notes are convertible at the option of the Convertible Notes holders at a conversion price of HK\$0.25 per ordinary share (subject to anti-dilutive adjustments) at any time from issue date up to the close of business on the tenth last day preceding the maturity date. The Company has the option to settle the conversion option in cash, as well as an option to early settle the Convertible Notes at the Early Redemption Amount (as defined in the Circular). Furthermore, notwithstanding the automatic conversion of all outstanding Convertible Notes on the maturity date, in the event that automatic conversion of all outstanding 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 will have to redeem the Convertible Notes by paying to the relevant noteholders an amount of cash equal to the Redemption Amount. Accordingly, the Convertible Notes contain a host that is classified as a financial liability and conversion options and early settlement options that are classified as derivatives. As such, the full amount attributable to the Convertible Notes is recognised as a liability on initial recognition. For the purpose of preparing the pro forma statement of adjusted consolidated net tangible assets, the estimated net proceed of the Convertible Notes is assumed to be the fair value at initial recognition. The fair value of the derivatives and financial liability components are subject to change at completion date.

4. Assuming every Ordinary Shareholder applies for full assured allotment of Convertible Notes and converts all Convertible Notes into Ordinary Shares immediately (other than the Shareholders who have given irrevocable undertakings that it/he will not convert any Convertible Notes until the Open Offer has either been closed or terminated) and assuming no other changes in the issued share capital of the Company, 1,328,292,065 Ordinary Shares are expected to be in issue after the Open Offer, comprising the existing 936,124,489 Ordinary Shares in issue as at the Latest Practicable Date and 392,167,576 Ordinary Shares to be issued upon the conversion of Convertible Notes. The unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer per share is calculated by dividing the unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer by the 1,328,292,065 Ordinary Shares expected to be in issue after the Open Offer.
5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June, 2014.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Scenario 2: Assuming no Ordinary Shareholders apply for their assured allotment under the Open Offer other than Shareholders who have given irrevocable undertakings that it/he will apply in full for its/his assured allotment of Convertible Notes, and assuming no conversion of any of the Convertible Notes

Audited consolidated net tangible assets of the Group as at 30 June, 2014 (Note 1) HK\$'000	Estimated net proceeds from the Open Offer (Note 2) HK\$'000	Estimated net pro forma fair value of Convertible Notes (Note 2) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer HK\$'000
151,275	112,016	(112,016)	151,275
			HK\$
Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer per share (Note 3)			0.16

Notes:

- The audited consolidated net tangible assets of the Group as at 30 June, 2014 is based on the net assets of the Group amounting to HK\$151,275,000 extracted from the annual report of the Company for the year ended 30 June, 2014.
- The estimated net proceeds from the Open Offer are based on 468,062,244 Open Offer of Convertible Notes in denominations of HK\$0.25 each and issued at its face value, amounting to approximately HK\$117,016,000 in aggregate, after deducting the estimated underwriting fees and other related expenses of approximately HK\$5,000,000 to be incurred by the Company. Pursuant to the terms of the Underwriting Agreement and taking into account the irrevocable undertakings, the Open Offer is fully underwritten.

The Convertible Notes will be issued at par of HK\$0.25 each. They bear no coupon interest and will be mandatory converted into Ordinary Shares of the Company on the tenth anniversary of the date of issue of the Convertible Notes. The Convertible Notes are convertible at the option of the Convertible Notes holders at a conversion price of HK\$0.25 per ordinary share (subject to anti-dilutive adjustments) at any time from issue date up to the close of business on the tenth last day preceding the maturity date. The Company has the option to settle the conversion option in cash, as well as an option to early settle the Convertible Notes at the Early Redemption Amount (as defined in the Circular). Furthermore, notwithstanding the automatic conversion of all outstanding Convertible Notes on the maturity date, in the event that automatic conversion of all outstanding 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 will have to redeem the Convertible Notes by paying to the relevant noteholders an amount of cash equal to the Redemption Amount. Accordingly, the Convertible Notes contain a host that is classified as a financial liability and conversion options and early settlement options that are classified as derivatives. As such, the full amount attributable to the Convertible Notes is recognised as a liability on initial recognition, net of directly attributable transaction costs. For the purpose of preparing the pro forma statement of adjusted consolidated net tangible assets, the estimated net proceed of the Convertible Notes is assumed to be the fair value at initial recognition. The fair value of the derivatives and financial liability components are subject to change at completion date.

- Assuming no Ordinary Shareholders apply for their assured allotment under the Open Offer other than Shareholders who have given irrevocable undertakings that it/he will apply in full for its/his assured allotment of Convertible Notes, and assuming no conversion of any of the Convertible Notes and no other changes in the issued share capital of the Company, 936,124,489 Ordinary Shares are expected to be in issue after the Open Offer, comprising the existing 936,124,489 Ordinary Shares in issue as at the Latest Practicable Date. The unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer per share is calculated by dividing the unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer by the 936,124,489 Ordinary Shares expected to be in issue after the Open Offer.
- No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June, 2014.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Scenario 3: Assuming no Ordinary Shareholders apply for their assured allotment under the Open Offer other than Shareholders who have given irrevocable undertakings that it/he will apply in full for its/his assured allotment of Convertible Notes, and conversion of all Convertible Notes underwritten other than those the subject of irrevocable undertakings

Audited consolidated net tangible assets of the Group as at 30 June, 2014 (Note 1) HK\$'000	Estimated net proceeds from the Open Offer (Note 2) HK\$'000	Estimated net pro forma fair value of Convertible Notes (Note 3) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer HK\$'000
151,275	112,016	(18,569)	244,722
			HK\$
Unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer per share (Note 4)			0.18

Notes:

- The audited consolidated net tangible assets of the Group as at 30 June, 2014 is based on the net assets of the Group amounting to HK\$151,275,000 extracted from the annual report of the Company for the year ended 30 June, 2014.
- The estimated net proceeds from the Open Offer are based on 468,062,244 Open Offer of Convertible Notes in denominations of HK\$0.25 each and issued at its face value, amounting to approximately HK\$117,016,000 in aggregate, after deducting the estimated underwriting fees and related expenses of approximately HK\$5,000,000 to be incurred by the Company. Pursuant to the terms of the Underwriting Agreement and taking into account the irrevocable undertakings, the Open Offer is fully underwritten.
- The estimated net pro forma fair value of Convertible Notes represents the Convertible Notes held by Shareholders who have given irrevocable undertakings that it/he will not convert any Convertible Notes until the Open Offer has either been closed or terminated, which amounts to 75,894,668 Convertible Notes in denominations of HK\$0.25 each, amounting to approximately HK\$18,974,000, after deducting estimated related expenses of approximately HK\$405,000, which is attributable to this portion of the Convertible Notes, calculated as a pro rata share of the total estimated related expenses of approximately HK\$2,500,000 (excluding the estimated underwriting fees) to be incurred by the Company.

The Convertible Notes will be issued at par of HK\$0.25 each. They bear no coupon interest and will be mandatory converted into Ordinary Shares of the Company on the tenth anniversary of the date of issue of the Convertible Notes. The Convertible Notes are convertible at the option of the Convertible Notes holders at a conversion price of HK\$0.25 per ordinary share (subject to anti-dilutive adjustments) at any time from issue date up to the close of business on the tenth last day preceding the maturity date. The Company has the option to settle the conversion option in cash, as well as an option to early settle the Convertible Notes at the Early Redemption Amount (as defined in the Circular). Furthermore, notwithstanding the automatic conversion of all outstanding Convertible Notes on the maturity date, in the event that automatic conversion of all outstanding 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 will have to redeem the Convertible Notes by paying to the relevant noteholders an amount of cash equal to the Redemption Amount. Accordingly, the Convertible Notes contain a host that is classified as a financial liability and conversion options and early settlement options that are classified as derivatives. As such, the full amount attributable to the Convertible Notes is recognised as a liability on initial recognition. For the purpose of preparing the pro forma statement of adjusted consolidated net tangible assets, the estimated net proceed of the Convertible Notes is assumed to be the fair value at initial recognition. The fair value of the derivatives and financial liability components are subject to change at completion date.
- Assuming no Ordinary Shareholders apply for their assured allotment under the Open Offer other than Shareholders who have given irrevocable undertakings that it/he will apply in full for its/his assured allotment of Convertible Notes, and conversion of all Convertible Notes underwritten other than those the subject of irrevocable undertakings and assuming no other changes in the issued share capital of the Company, 1,328,292,065 Ordinary Shares are expected to be in issue after the Open Offer, comprising the existing 936,124,489 Ordinary Shares in issue as at the Latest Practicable Date and 392,167,576 Ordinary Shares to be issued upon the conversion of Convertible Notes. The unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer per share is calculated by dividing the unaudited pro forma adjusted consolidated net tangible assets of the Group as adjusted for the Open Offer by the 1,328,292,065 Ordinary Shares expected to be in issue after the Open Offer.
- No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June, 2014.

The following is the text of an accountants' report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this offering document, in respect of the unaudited pro forma financial information relating to the Group as set out in this Appendix II.

**(II) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Paladin Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets as at 30 June, 2014 and related notes as set out in Section I of Appendix II to this offering document issued by the Company dated 29 October, 2014 (the "Document"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Section I of Appendix II to the Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed open offer of ordinary shares on the Group's financial position as at 30 June, 2014 as if the proposed open offer of ordinary shares had taken place at 30 June, 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 30 June, 2014 on which an audited report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 October, 2014

(I) RESPONSIBILITY STATEMENT

The Offering Documents, for which the Directors collectively and individually accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Offering Documents is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Offering Documents misleading.

(II) SHARE CAPITAL**Authorised and issued share capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the completion of the Open Offer (assuming no issue or repurchase of Ordinary Shares from the Latest Practicable Date to immediately before the completion of the Open Offer) are as follows:

(i) As at the Latest Practicable Date

<i>Authorised share capital</i>		<i>HK\$</i>
50,000,000,000	Ordinary Shares of HK\$0.01 each in issue as at the Latest Practicable Date	500,000,000
1,270,000,000	Preference Shares of HK\$0.01 each in issue as at the Latest Practicable Date	12,700,000
	Total authorised share capital	<u>512,700,000</u>
<i>Issued share capital</i>		<i>HK\$</i>
936,124,489	Ordinary Shares of HK\$0.01 each in issue as at the Latest Practicable Date	9,361,244.89
71,143,529	Preference Shares of HK\$0.01 each in issue as at the Latest Practicable Date	711,435.29
	Total issued share capital	<u>10,072,680.18</u>

(ii) Immediately following the completion of the Open Offer

<i>Authorised share capital</i>		<i>HK\$</i>
50,000,000,000	Ordinary Shares of HK\$0.01 each in issue as at the Latest Practicable Date	500,000,000
1,270,000,000	Preference Shares of HK\$0.01 each in issue as at the Latest Practicable Date	<u>12,700,000</u>
Total authorised share capital		<u><u>512,700,000</u></u>

Issued Share Capital (Assuming (a) every Qualifying Shareholder applies for full assured allotment of Convertible Notes and converts all Convertible Notes into Ordinary Shares immediately, or elects for Share Alternative for 100% of assured allotments; and (b) no Ordinary Shares are issued or repurchased before then.)

		<i>HK\$</i>
1,328,292,065	Ordinary Shares of HK\$0.01 each in issue	13,282,920.65
71,143,529	Preference Shares of HK\$0.01 each in issue	<u>711,435.29</u>
Total issued share capital		<u><u>13,994,355.94</u></u>

All the existing issued Ordinary Shares rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. All the new Ordinary Shares, when allotted, issued and fully paid, upon completion of the Open Offer and conversion of the Convertible Notes, will rank *pari passu* in all respects with the Ordinary Shares then in issue including as regards rights as to dividends, voting and return of capital.

The issued Ordinary Shares are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange. No application is being made or is currently proposed or sought for the Ordinary Shares or the Convertible Notes or any other securities of the Company to be listed or dealt in on any other stock exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

Save as disclosed herein, the Company had no outstanding convertible securities, options, warrants or similar rights as at the Latest Practicable Date.

(III) DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Ordinary Shares of HK\$0.01 each of the Company (long position):

Name of Director	Capacity	Number of issued Ordinary Shares held	Percentage of issued Ordinary Shares held
Dr. Oung Shih Hua, James	Beneficial owner	7,000,000	0.75%

Preference Shares of HK\$0.01 each of the Company (long position):

Name of Director	Capacity	Number of issued Preference Shares held	Percentage of issued Preference Shares held
Dr. Oung Shih Hua, James	Beneficial owner	2,500,000	3.5%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(IV) INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company and based on 935,124,489 Ordinary Shares and 71,143,529 Preference Shares in issue as at the Latest Practicable Date, the following persons (other than any Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position:

Name of Shareholder	Capacity	Number of issued Ordinary Shares held	Percentage of issued Ordinary Shares held
Basurto Holdings Limited (Note a)	Interest of a controlled corporation	508,848,531	54.37%
Cityguard Holdings Limited (Note b)	Beneficial owner	508,848,531	54.37%
Five Star Investments Limited (Note c)	Interest of a controlled corporation	508,848,531	54.37%
Gold Seal Holdings Limited (Note d)	Beneficial owner	94,789,336	10.13%
Next Level Corporate Limited (Note e)	Other (Note e)	508,848,531	54.37%
Mr. Oung Da Ming	Beneficial owner	50,000,000	5.34%
	Interest of a controlled corporation (note a)	508,848,531	54.37%
	Interest of a controlled corporation (note d)	94,789,336	10.13%
		660,637,867	70.57%
Name of Shareholder	Capacity	Number of issued Preference shares held	Percentage of issued Preference shares held
Goldenfield Equities Limited (Note f)	Beneficial owner	9,099,014	12.79%

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 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.
- (d) Gold Seal Holdings Limited is owned as to 66.7% by Mr. Oung Da Ming and 33.3% by Ms. Uon Margaret, sister of Ms. Lilian Oung.
- (e) Next Level Corporate Limited is owned as 25% by Mr. Oung Da Ming, 25% by his brother, Mr. Oung Da Ming, James, 25% by Ms. Margaret Uon, 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.
- (f) Goldenfield Equities Limited is owned as to 40% by Ms. Lilian Oung, 40% by her son Mr. Chen Te Kuang Mike, and 20% by Dr. Oung Shih Hua, James.

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as is known to the Directors and chief executives of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(V) MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by the Group within the two years preceding the date of this Open Offer offering document and are or may be material:

- (a) the agreement dated 16 January, 2014 for the sale and purchase between Banhart Company Limited and Jiangxi Copper Hong Kong Company Limited (江西銅業香港有限公司) in relation to the disposal of office premise at Unit 01, 45th Floor, Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong; and
- (b) the Underwriting Agreement.

Save as the aforesaid, no material contracts (not being contracts entered into the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this offering document which are or may be material.

(VI) LITIGATION

As at the Latest Practicable Date, the Group had the following outstanding litigations. Except as disclosed in (b) and (c) below, the Directors are of the opinion that the estimated contingent liabilities arising from the litigations cannot be reasonably ascertained at the current stage.

- (a) On 17 May, 2006, Chinese Regency Limited (“Chinese Regency”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood Limited (“Holyrood”), a subsidiary of the Company, a total sum of amount not less than HK\$5,760,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 5th Floor of Block A1 and the car parking space No. 5 located in Nos. 8, 10 and 12 Peak Road. Pursuant to the Court order, Chinese Regency filed an amended statement of claim on 24 May, 2013 and Holyrood filed an amended statement of defence on 5 July, 2013. Also, pursuant to the Court order dated 18 December, 2013, both parties are to exchange expert reports, witness statements and further filed a joint expert report on 8 May, 2014. The first case management conference was held on 5 September, 2014 during which certain directions were given by the Court as to the further conduct of the proceedings. A second case management conference is scheduled for 12 March, 2015. Before the said case management conference on 2 September, 2014, Chinese Regency sought an order (the “Summons”) that unless Ms. Lilian Oung attends the trial for cross examinations, the Company be debarred from adducing the witness statements of Ms. Lilian Oung as

evidence in these proceedings. The Company opposed to the Summons and now adjourned for substantive argument on 6th January, 2015. The litigation is still ongoing and there is no further update on the case up to the date of this offering document.

- (b) On 1 June, 2007, Gateway International Development Limited (“Gateway”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$5,048,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat A on the 6th Floor of Block A2 and the car parking space No. 51 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. The judgment was handed down on 1st March, 2012 against Holyrood. Holyrood was ordered to pay Gateway the sum of HK\$4,967,000 plus interest. The judge has also made a costs order nisi that Holyrood shall pay the legal costs of Gateway on an indemnity basis, which is approximately HK\$4,000,000. Holyrood has filed a notice of appeal on 29 March, 2012 against the judgment. The appeal was heard on 25 and 26 June, 2013. On 11 October, 2013, the Court of Appeal delivered judgment dismissing the appeal as regards liability but allowing the appeal as regards quantum (the “Appeal Judgment”). On 13 May, 2014, an application for leave to appeal was filed to the Appeal Committee of the Court of Final Appeal to seek leave of the Appeal Judgment and the leave application was heard on 6 October, 2014 and leave was refused with indemnity cost awarded against Holyrood.

Pursuant to the Appeal Judgment, the damage awarded to the Company is reduced to HK\$3,258,328.

During the year ended 30 June, 2012, Holyrood paid a deposit of HK\$6,692,000 to the Court of Appeal, representing the aggregate of (i) the damages of HK\$4,967,000 and (ii) interest of HK\$1,725,000. The deposit was written off against the damages and interest expenses and charged to profit or loss during the year ended 30 June, 2012. The legal cost of HK\$4,000,000 was also charged to profit or loss during the year ended 30 June, 2012.

- (c) On 1 June, 2007, Sun Crown Trading Limited (“Sun Crown”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$5,154,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 6th Floor of Block A2 and the car parking spaces Nos. 47 and 48 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. The judgment was handed down on 1 March, 2012 against Holyrood. Holyrood was ordered to pay Sun Crown the sum of HK\$4,953,000 plus interest. The judge has also made a costs order nisi that Holyrood shall pay the legal costs of Sun Crown on an indemnity basis, which is approximately HK\$4,000,000. Holyrood has filed a notice of appeal dated 29 March, 2012 against the judgment. The appeal was heard on 25 and 26 June, 2013. On 11 October, 2013, the Court of Appeal delivered judgment dismissing the appeal as regards liability but allowing the appeal as regards quantum (the “Appeal Judgment”). On 13 May, 2014, an application for leave to appeal

was filed to the Appeal Committee of the Court of Final Appeal to seek leave of the Appeal Judgment and the leave application was heard on 6 October, 2014 and leave was refused with indemnity cost awarded against Holyrood.

Pursuant to the Appeal Judgment, the damage awarded to the Company is reduced to HK\$3,260,008.

During the year ended 30 June, 2012, Holyrood paid a deposit of HK\$6,685,000 to the Court of Appeal, representing the aggregate of (i) the damages of HK\$4,953,000 and (ii) interest of HK\$1,732,000. The deposit was written off against the damages and interest expenses and charged to profit or loss during the year ended 30 June, 2012. The legal cost of HK\$4,000,000 was also charged to profit or loss during the year ended 30 June, 2012.

- (d) On 18 July, 2011, Century Pacific Holdings Limited (“Century Pacific”) (of which the beneficial owners are independent third parties) issued a writ of summons against Holyrood a total sum of amount not less than HK\$2,360,000, claiming, among others, damages for breach of an agreement for sale and purchase of Flat B on the 3rd Floor of Block A2 and the car parking space No. 38 located in Nos. 8, 10 and 12 Peak Road, breach of the Deed of Mutual Covenant and nuisance on the development. On 24 December, 2012, Holyrood filed the statement of defence and Century Pacific filed their reply on the statement of defence. The litigation is still ongoing and there is no further update on the case up to the date of this offering document.

Save as disclosed herein, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

(VII) EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion or advice which is contained in this offering document.

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu had given and has not withdrawn its written consent to the issue of this offering document, with the inclusion herein of its letter or references to its name and/or its opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 June, 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(VIII) INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Name	Address
<i>Executive Director:</i>	
Dr. Oung Shih Hua, James (Chairman) (“Dr. Oung”)	12/F, No. 661 Bannan Road, Zhonghe City, Taipei 235, Taiwan
<i>Non-executive Directors:</i>	
Mr. Chan Chi Ho (“Mr. Chan”)	Flat B, 5/F, Block A, Tempo Court, 4 Braemar Road, North Point, Hong Kong
Mr. Yuen Chi Wah (“Mr. Yuen”)	Room 703, Chi Chun Lau, Fu Ning Street, Kowloon, Hong Kong
<i>Independent non-executive Directors:</i>	
Mr. Kwok Wai Chi (“Mr. Kwok”)	3518 Man Yue House, Tsz Man Estate, Kowloon, Hong Kong
Professor Huang Weizong Martin (“Professor Huang”)	33 Harvey Ct. Irvine, CA92617, USA
Mr. Zhu Pei Qing (“Mr. Zhu”)	Bei Jing Sui Wen Men Wai Xin Shi Jie Xin Yi Jia Yuan 2 Hao Lou 6 Shan Yuan 301 Shi, China

Set out below are the biographical details of each of the Directors:

Executive Director:

Dr. Oung

Dr. Oung, aged 39, joined the Group in 1995. He holds a Bachelor's of Science degree in finance and international business from New York University, a master's degree in psychology, and a Doctorate of Philosophy in applied psychology from East China Normal University. Dr. Oung is also a designated Fellow at Life Management Institute (FLMI) and teaches graduate students part time in the People's Republic of China. He is currently the chairman of a private technology company.

Dr. Oung is a director of each of Cityguard Holdings Limited, Five Star Investments Limited, Basurto Holdings Limited, and a shareholder and director (appointed on 22 July, 2014) of Goldenfield Equities Limited.

Cityguard Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Five Star Investments Limited, legally and beneficially owns 42.92% of the issued Ordinary Shares.

Five Star Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of Basurto Holdings Limited, holds a further 11.45% of the issued Ordinary Shares in trust for Cityguard Holdings Limited.

The shares in Basurto Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, are held by Dr. Oung's uncle, Mr. Oung Da Ming on trust for the estate of Dr. Oung's deceased grandmother, Ms. Oung Chin Liang Fung (as to 67%) and Dr. Oung's aunt, Ms. Lilian Oung (as to 33%).

Goldenfield Equities Limited, a company incorporated in the British Virgin Islands with limited liability, owns 3.15% of the issued Ordinary Shares and 12.79% of the issued Preference Shares. Its ultimate beneficial shareholders are Mr. Chen Te Kuang Mike who owns 40% of its issued shares, his mother Ms. Lilian Oung who owns 40% of its issued shares and Dr. Oung who owns 20% of its issued shares.

Non-executive Director:

Mr. Chan

Mr. Chan, aged 43, first joined the Group as company secretary in 2003. Prior to joining to the Group, Mr. Chan worked in PricewaterhouseCoopers as an audit manager. He has over 19 years of experience in accounting and financial management. Mr. Chan holds a Bachelor of Arts degree in business studies and a master's degree in corporate governance from The Hong Kong Polytechnic University. He is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

Mr. Yuen

Mr. Yuen, aged 54, joined the Group as the financial controller in 2007. He has over 35 years working experience in corporate finance, financial management, auditing, accounting, and acquisitions gained from positions in an audit firm in Hong Kong, and possess extensive experience in management in the field of garments, electronic industrial and property development.

Independent non-executive Directors:***Mr. Kwok***

Mr. Kwok, aged 37, joined the Group in 2004. He holds a bachelor's degree in Business Administration from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently a principal of a wealth management and financial planning company.

Professor Huang

Professor Huang, aged 53, first joined the Group in 2012. Professor Huang obtained a Doctorate of Philosophy in Chinese and Comparative Literature from Washington University, United States of America in 1991. He is currently a professor of Department of East Asian Languages and Literatures in the University of California, Irvine, United States of America.

Professor Huang was also the Department Chair of the Department of East Asian Languages and Literatures in the University of California, Irvine, United States of America from 2008 to 2011.

Professor Huang was an independent non-executive Director from 28 June, 2012 but was purportedly removed from office on 19 May, 2014. To avoid any confusion as to his status he was formally re-appointed on 11 September, 2014.

Mr. Zhu

Mr. Zhu, aged 77, joined the Group in 2000. He previously worked for the Ministry of Foreign Affairs of the People's Republic of China, and was the ambassador to Lebanon for the People's Republic of China before his retirement.

Save as disclosed in this offering document as at the Latest Practicable Date, none of the Directors held any position in the Company or any of its subsidiaries nor have any relationship with any other Director, senior management, substantial shareholder or controlling shareholder of the Company. Save as disclosed in this offering document and as at the Latest Practicable Date, none of the Directors has held any directorship in other listed companies in Hong Kong or overseas in the past three years. Save as disclosed above and as at the Latest Practicable Date, none of the Directors is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(IX) CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Principal office	Suite 2304, 23rd Floor, Sun Life Tower, The Gateway, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong
Company secretary	Mr. Chan Chi Ho
Authorised representatives	Dr. Oung Shih Hua, James Mr. Chan Chi Ho
Legal advisers as to Hong Kong law in relation to the Open Offer	David Norman & Co. 22B, Man On Commercial Building 12-13 Jubilee Street, Central Hong Kong
Legal advisers as to Bermuda law in relation to the Open Offer	Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place, Central, Hong Kong
Legal advisers as to Australian law in relation to the Open Offer	Allens Level 28, Deutsche Bank Place 126 Phillip Street (Corner of Hunter & Phillip Streets) Sydney NSW 2000 Australia
Legal advisers as to New Zealand law in relation to the Open Offer	Dermot Ross & Co. Level 13, 99 Albert Street PO Box 2524 Shortland Street Auckland 1140, New Zealand
Principal registrar and transfer office of the Company in Bermuda / Principal registrar of Convertible Notes and transfer office in Bermuda	Appleby Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda

Hong Kong branch share registrar and transfer office/Hong Kong branch registrar and transfer agent of Convertible Notes	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	CITIC Bank International Limited 61-65 Des Voeux Road Central, HK Wing Lung Bank Limited 45 Des Voeux Road, Central, Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central
Reporting accountants	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong

(X) LEGAL EFFECT

The Offering Documents, and all offers, acceptances of any offer or application contained or pursuant to in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong.

(XI) ADJUSTMENTS TO THE CONVERSION PRICE

Upon the occurrence of any of the following events described below, the Conversion Price will be adjusted as follows:

- (1) **Consolidation, subdivision or reclassification:** if and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Ordinary Share immediately after such alteration; and

B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) Capitalisation of profits or reserves:

If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the holders of the Ordinary Shareholders (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be)

- (i) by way of capitalisation of profits or reserves including Ordinary Shares paid up out of distributable profits or reserves and/or share premium account (save where Ordinary Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “Relevant Cash Dividend”), being a dividend which the Ordinary Shareholders concerned would or could otherwise have received (a “Scrip Dividend”) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Ordinary Shares by way of a Scrip Dividend where the Current Market Price of such Ordinary Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Ordinary Shares by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue;
- B is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such Current Market Price of the Ordinary Shares issued by way of Scrip Dividend in respect of each existing Ordinary Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date.

(3) Capital Distributions:

- (i) If and whenever the Company shall pay or make any Capital Distribution to the Ordinary Shareholders (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the directors of the Company consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be) other than in cash only (except to the extent that the Conversion Price falls to be adjusted under condition (2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the date on which the Capital Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Ordinary Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Capital Distribution is capable of being determined as provided in these Conditions.

- (ii) If and whenever the Company shall pay or make any Capital Distribution in cash only to the Ordinary Shareholders (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the Directors consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the date on which the Capital Distribution in cash is publicly announced; and

B is the amount of cash so distributed attributable to one Ordinary Share.

Such adjustment shall become effective on the date on which such Capital Distribution in cash is actually made or if a record date is fixed therefore, immediately after such record date.

- (4) **Rights issues of Ordinary Shares or options over Ordinary Shares:** If and whenever the Company shall issue Ordinary Shares to all or substantially all Ordinary Shareholders as a class (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the directors of the Company consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be) by way of rights, or issue or grant to all or substantially all Ordinary Shareholders as a class (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the directors of the Company consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be), by way of rights, of options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at less than the Current Market Price per Ordinary Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares comprised therein would subscribe, purchase or otherwise acquire at such current market price per Ordinary Share; and
- C is the aggregate number of Ordinary Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (5) **Rights issues of other securities:** If and whenever the Company shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares) to all or substantially all Ordinary Shareholders as a class (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the directors of the Company consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be), by way of rights, or the grant to all or substantially all Ordinary Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the current market price of one Ordinary Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- (6) **Issues at less than current market price:** If and whenever the Company shall issue (otherwise than as mentioned in condition (4) above) for cash any Ordinary Shares (other than Ordinary Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Ordinary Shares) or the issue or grant (otherwise than as mentioned in condition (4) above) of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares, in each case at a price per Ordinary Share which is less than the current market price per Ordinary Share on the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{C}$$

where:

- A is the number of Ordinary Shares in issue immediately before the issue of such additional Ordinary Shares or the grant of such options, warrants or other rights to subscribe, purchase or otherwise acquire any Ordinary Shares;
- B is the number of Ordinary Shares which the aggregate consideration receivable for the issue of such additional Ordinary Shares would purchase at such current market price per Ordinary Share; and
- C is the number of Ordinary Shares in issue immediately after the issue of such additional Ordinary Shares.

References to additional Ordinary Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for or purchase Ordinary Shares, mean such Ordinary Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of the issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

- (7) **Other Issues at less than current market price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this condition (7), the issue wholly for cash by the Company in condition (4), (5) or (6) of any securities (other than the Convertible Notes) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Ordinary Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Ordinary Share which is less than the current market price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable by the Company for the Ordinary Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such current market price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (8) **Modification of rights of conversion etc.:** If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in condition (7) (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share (for the number of Ordinary Shares available on conversion, exchange or subscription following the modification) is less than the current market price for one Ordinary Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the current market price of an Ordinary Share on the date on which such modification is announced; and
- B is the difference between the Fair Market Value of the modification on a per Ordinary Share basis on the date of such announcement and the consideration received for the modification on a per Ordinary Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) **Other offers to Ordinary Shareholders:** If and whenever the Company or any of its subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the Ordinary Shareholders generally (excluding Ordinary Shareholders resident in a place outside Hong Kong provided the directors of the Company consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, as the case may be) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under condition (4), condition (5), condition (6) or condition (7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the current market price of one Ordinary Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

- (10) **Other events:** If the Company determines, or the Noteholders by written resolution, determine that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this section XI, the Company shall at its own expense request an independent investment bank to determine as soon as practicable what adjustments (if any) to the Conversion Price would be fair and reasonable to take account thereof, if the adjustments would result in a reduction in the Conversion Price, and the date on which such adjustments should take effect and upon such determination such adjustments (if any) shall be made and shall take effect in accordance with such determination provided that where the circumstances giving rise to any adjustment pursuant to this section XI have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modifications (if any) shall be made to the operation of the provisions of this section XI as may be advised by such independent investment bank, to be in its opinion appropriate to give the intended result(s). A written resolution will be obtained through signing by or on behalf of the Noteholders of more than 50% of the principal amount of the Convertible Notes outstanding shall be binding on all Noteholders whether or not they have signed such written resolution.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent.

The Conversion Price may not be reduced so that, on conversion of Convertible Notes, Ordinary Shares would fall to be issued at a discount to their par value (in such case, the reduction shall be limited to such amount so that the Conversion Price is equal to the par value of the Ordinary Shares) or Ordinary Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an independent investment bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such independent investment bank to be in its opinion appropriate in order to give such intended result.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Ordinary Shares as referred to in condition (1) above or where there has been a proven manifest error in the calculation of the Conversion Price.

(XII) GENERAL

- (a) As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company, or any other member of the Group, save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 30 June, 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up).
- (c) As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business and there was no contract or arrangement subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the Group's business.
- (d) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant to the business of the Group.
- (e) The estimated expenses in connection with the Open Offer (including but not limited to the printing, registration, legal, professional and accounting charges) are approximately HK\$5 million and are payable by the Company.
- (f) The company secretary of the Company is Mr. Chan Chi Ho, who is a fellow member of both The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He also is a member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (g) The English texts of the Offering Documents shall prevail over their respective Chinese texts.

(XIII) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal office of the Company, from 29 October, 2014 to 12 November, 2014 (both days inclusive):

- (a) Bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 30 June, 2012, 2013 and 2014, respectively;
- (c) the interim report of the Company for the six months ended 31 December, 2013;
- (d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in appendix II to this offering document;
- (e) the material contracts referred to in the paragraph headed “(V) MATERIAL CONTRACTS” of this appendix;
- (f) the written consent of Deloitte Touche Tohmatsu referred to in the paragraph headed “(VII) EXPERT AND CONSENT” of this appendix; and
- (g) the draft of the instrument creating the Convertible Notes.