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PALADIN LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 495)

ANNOUNCEMENT PROPOSED OPEN OFFER ON THE BASIS OF ONE (1) CONVERTIBLE NOTE WITH SHARE ALTERNATIVE FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE

Underwriter of the Open Offer

Gold Seal Holdings Limited

PROPOSED OPEN OFFER

The Company proposes to raise not less than approximately HK\$67.1 million and not more than approximately HK\$81.0 million, before expenses, by way of an Open Offer to Shareholders of Convertible Notes in denominations of HK\$0.25 principal amount each, to be issued at face value, with a Share Alternative of new Share at a Subscription Price of HK\$0.25 per Share. Each Convertible Note may be converted into one Share. The Convertible Notes and new Shares will be offered to the Qualifying Shareholders on the basis of assured allotments of one Convertible Note or one new Share for every five existing Shares held on the Record Date.

The Convertible Notes will have the same terms as, and be fungible with, the Existing Convertible Notes.

Assuming no conversion of the outstanding Existing Convertible Notes and the outstanding Options, and no other issue of new Shares or repurchase of Shares on or before the Record Date, the maximum principal amount of Convertible Notes of HK\$67,086,833.50 shall be issued pursuant to the Open Offer. The 268,347,334 new Shares to be allotted and issued upon full exercise of the conversion rights at the initial Conversion Price represents 20.00% of the Company's issued share capital as at the date of this announcement and approximately 16.67% of the enlarged issued share capital of Company immediately upon completion of the Open Offer.

Assuming full conversion of the outstanding Existing Convertible Notes (other than those held by Next Level Corporate Limited) and full exercise of all outstanding Options, and no other issue of new Shares or repurchase of Shares on or before the Record Date, a maximum principal amount of Convertible Notes of HK\$81,024,543.75 would be issued pursuant to the Open Offer. The 324,098,175 new Shares to be allotted and issued upon full exercise of the conversion rights of the Convertible Notes at the initial Conversion Price represents 24.16% of the Company's issued share capital as at the date of this announcement and approximately 16.67% of the enlarged issued share capital of Company immediately upon completion of the Open Offer.

The net proceeds of the Open Offer are expected to be not less than approximately HK\$62.6 million and not more than approximately HK\$78.1 million. The net proceeds from the Open Offer will be used by the Company for investment in research and development, software and hardware design for the manufacture and sales of a range of high technology products including portable x-ray systems, positioning and image sensing technologies, algorithm and software solutions used in semi-automated agriculture vehicles, advanced driver assistance systems and, or various surveillance security applications.

As at the date of this announcement, the Oung family concert group is beneficially interested in an aggregate of 906,540,908 issued Shares, representing approximately 67.56% of the existing issued Share capital of the Company. As at the date of this announcement, the Company has 66,854,206 outstanding Existing Convertible Notes exercisable by their holders for up to 66,854,206 Shares and outstanding Options for the issue of 261,900,000 Shares. Save as disclosed above, the Company has no other outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

The Convertible Notes and new Shares to be issued under the Open Offer (other than those in the assured allotments of Gold Seal Holdings Limited, and of Next Level Corporate Limited, Dr. Oung Shih Hua, James and Mr. Oung Da Ming, who have irrevocably undertaken to the Company to apply in full for their assured allotments of Convertible Notes in the Open Offer and not to elect for the Share Alternative, and not to sell any Shares until the Open Offer has either been completed or terminated) will be fully underwritten by Gold Seal Holdings Limited on the terms and subject to the conditions set out in the Underwriting Agreement.

To qualify for the Open Offer, a Shareholder must be registered as a Shareholder on the Record Date.

The latest time for application and payment for the Convertible Notes and, or the new Shares in assured allotments under the Open Offer is expected to be 4:00 p.m. on Wednesday, 6th December, 2017. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares falling to be issued upon conversion of the Convertible Notes and those falling to be issued to Shareholders who elect for the Share Alternative. No application will be made for a listing of the Convertible Notes.

The Company expects to send the Offering Documents to the Shareholders on the Record Date who are Qualifying Shareholders on or about Wednesday, 22nd November, 2017. The Offering Circular (but not the forms of application) will be sent to other Shareholders for information only.

The entitlements of the Qualifying Shareholders to apply for Convertible Notes or new Shares in their assured allotments will not be transferable or renounceable. There will be no trading in those entitlements on the Stock Exchange.

On 31st October, 2017 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Open Offer. The Open Offer will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement. The Open Offer is conditional upon, amongst other things, the Underwriting Agreement becoming unconditional and not being terminated. If the Underwriting Agreement does not become unconditional or is terminated, the Open Offer will not proceed.

LISTING RULES IMPLICATIONS

As the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced or commenced within the 12-month period immediately preceding the date of this announcement), the Open Offer is not subject to Shareholders' approval under Rule 7.24(5) of the Listing Rules.

The Underwriter is a substantial Shareholder of the Company and is solely owned by Mr. Oung Da Ming, a connected person of the Company. Accordingly, the Underwriter is a connected person of the Company as defined under the Listing Rules and the transactions between the Company and the Underwriter as contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, as (i) the arrangements will be made in relation to excess applications in compliance with Rule 7.26A(1) of the Listing Rules; and (ii) the Underwriting Agreement is on normal commercial terms, and the underwriting commission payable is less than HK\$10,000,000, and all applicable percentage ratios specified in the Listing Rules are less than 25%, the Underwriting Agreement is subject to reporting and announcement requirements but exempt from circular and the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

GENERAL

The Offering Documents setting out details of the Open Offer are expected to be despatched to the Qualifying Shareholders on or about Wednesday, 22nd November, 2017. The Company will send the Offering Circular to the Non-Qualifying Shareholders for information only.

WARNING OF THE RISKS OF DEALING IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and not being terminated. Accordingly, the Open Offer may or may not proceed.

The Shares will be dealt in on an ex-entitlement basis commencing from Monday, 13th November, 2017 and dealings in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

THE PROPOSED OPEN OFFER

The Company proposes to raise not less than approximately HK\$62.6 million and not more than approximately HK\$78.1 million, before expenses, by way of an Open Offer to Shareholders of Convertible Notes in denominations of HK\$0.25 each to be issued at face value, with a Share Alternative of new Share at a Subscription Price of HK\$0.25 per Share. Each Convertible Note will be convertible into one Share. The Convertible Notes will be offered to the Qualifying Shareholders on the basis of assured allotments of one Convertible Note, with the Share Alternative of one new Share, for every five existing Shares held on the Record Date, being Tuesday, 21st November, 2017.

Qualifying Shareholders may apply for any number of Convertible Notes or Shares in the Share Alternative, or a combination of both, but are assured of allocations only up to the numbers in their assured allotments. Allocations of Convertible Notes or new Shares to those who apply for more than their assured allotments will be made on an equitable basis. Please refer to the section headed “Application(s) for Convertible Notes or Shares in excess of assured allotments” for details.

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

Set out below are the principal terms of the Open Offer:

Issue Statistics

Basis of the Open Offer:	Assured allotments of one (1) Convertible Note or one (1) new Share for every five (5) Shares held on the Record Date
Number of Shares in issue as at the date of this announcement	1,341,736,673 Shares
Maximum number of Shares in issue as at the Record Date	1,620,490,879 Shares (assuming (i) full conversion of the outstanding Existing Convertible Notes (other than those held by Next Level Corporate Limited); (ii) full exercise of all outstanding Options; and (iii) no further issue of new Shares or repurchase of Shares on or before the Record Date)
Principal amount of Convertible Notes to be issued (assuming no election for the Share Alternative):	Not less than HK\$67,086,833.50 (assuming no change in issued Shares on or before the Record Date) and not more than HK\$81,024,543.75 (assuming (i) full conversion of all the outstanding Existing Convertible Notes (other than those held by Next Level Corporate Limited); (ii) full exercise of all outstanding Options; and (iii) no further issue of new Shares or repurchase of Shares on or before the Record Date)
Conversion Price for the Convertible Notes:	100% of the principal amount of the Convertible Notes

The initial Conversion Price of HK\$0.25 represents:

- (i) a discount of approximately 12.28% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 13.79% to the average closing price of HK\$0.290 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 10.39% to the theoretical ex-entitlement to Open Offer price of approximately HK\$0.279 per Share based on the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day.

Relation to Existing
Convertible Notes

The Convertible Notes will have the same terms as, and be fungible with, the Existing Convertible Notes

Subscription Price for
new Shares in
the Share Alternative:

HK\$0.25 per Share

Maximum number of
new Shares to be issued
in the Share Alternative
(assuming 100% of
Qualifying Shareholders
elect for the Share Alternative
and no conversion of the
Existing Convertible Notes
and no exercise of the
outstanding Options on or
before the Record Date):

268,347,334 (with an aggregate nominal value of
HK\$2,683,473.34)

Maximum number of new Shares to be issued upon conversion of the Convertible Notes (assuming 100% of Qualifying Shareholders elect for the Convertible Notes and full exercise of the outstanding Options and full conversion of the Existing Convertible Notes, other than those held by Next Level Corporate Limited, on or before the Record Date):

324,098,175 (with an aggregate nominal value of HK\$3,240,981.75)

Underwriter:

Gold Seal Holdings Limited

Number of Convertible Notes irrevocably undertaken to be applied for by Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited pursuant to the Irrevocable Undertakings, and number of Convertible Notes undertaken to be applied by Gold Seal Holdings Limited pursuant to the terms under the Underwriting Agreement:

Each of Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited has irrevocably undertaken in favour of the Company and the Underwriter to apply for the (in aggregate) 47,620,833 Convertible Notes in their assured allotments in the Open Offer; and Gold Seal Holdings Limited has undertaken in favour of the Company to apply for the 31,877,642 Convertible Notes in its assured allotments in the Open Offer

Number of Convertible Notes to be underwritten by the Underwriter:	Not less than 188,848,858 Convertible Notes and not more than 234,123,699 Convertible Notes (assuming full exercise of the outstanding Options and full conversion of the outstanding Existing Convertible Notes, other than those held by Next Level Corporate Limited on or before the Record Date), being the total number of the Convertible Notes less the aggregate number of the Convertible Notes agreed to be taken up by (i) Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited under the Irrevocable Undertakings; and (ii) Gold Seal Holdings Limited pursuant to the Underwriting Agreement. Accordingly, the Open Offer is fully underwritten.
Net proceeds to be raised upon completion of the Open Offer:	Not less than approximately HK\$0.23 per Convertible Note, or new Share, and not more than approximately HK\$0.24 per Convertible Note, or new Share

Outstanding convertible securities of the Company

As at the date of this announcement, the Company has 66,854,206 outstanding Existing Convertible Notes convertible into 66,854,206 Shares and Options exercisable into a further 261,900,000 Shares. Save as disclosed above, the Company has no other outstanding warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

Next Level Corporate Limited, a company that is part of the Oung family concert group, has irrevocably undertaken that it will not exercise its conversion rights under the Existing Convertible Notes on or before the Record Date.

Basis of assured allotments

The basis of the assured allotment shall be one Convertible Note, with the Share Alternative of one new Share, for every five existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's assured allotments should be made by completing the form of application that will be one of the Offering Documents and lodging the same with a remittance for the Convertible Notes, or Shares being applied for with the Registrar on or before the Last Acceptance Date.

Conversion Shares

Assuming no conversion of the outstanding Existing Convertible Notes, no exercise of any outstanding Options and no further issue of new Shares or repurchase of Shares on or before the Record Date, the maximum principal amount of Convertible Notes of HK\$67,086,833.50 shall be issued pursuant to the Open Offer. The 268,347,334 new Shares to be allotted and issued upon full exercise of the conversion rights under the new Convertible Notes at the initial Conversion Price represents 20.00% of the Company's issued share capital as at the date of this announcement and approximately 16.67% of the enlarged issued share capital of Company immediately upon completion of the Open Offer.

Assuming the full conversion of all the outstanding Existing Convertible Notes (other than those held by Next Level Corporate Limited) and exercise in full of all outstanding Options, but no further issue of new Shares or repurchase of Shares on or before the Record Date, a maximum principal amount of Convertible Notes of HK\$81,024,543.75 shall be issued pursuant to the Open Offer. The 324,098,175 new Shares to be allotted and issued upon full exercise of the conversion rights of the new Convertible Notes at the initial Conversion Price represents 24.16% of the Company's issued share capital as at the date of this announcement and approximately 16.67% of the enlarged issued share capital of Company immediately upon completion of the Open Offer.

Subscription Price

The Subscription Price of HK\$0.25 per Share will be payable in full by a Qualifying Shareholder upon application for the new Shares under the Open Offer.

The Subscription Price represents:

- (i) a discount of approximately 12.28% to the closing price of HK\$0.285 per Share, based on the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 12.59% to the 5-day average closing price of HK\$0.286 per Share, based on the average closing price of HK\$0.286 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 13.79% to the 10-day average closing price of HK\$0.290 per Share, based on the average closing price of HK\$0.290 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 10.39% to the theoretical ex-entitlement price of approximately HK\$0.279 per Share after the Open Offer, based on the closing price of the Share of HK\$0.285 per Share quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 67.23% over the audited net asset value attributable to owners of the Company per Share of approximately HK\$0.763 as at 30th June, 2017 (based on the number of Shares in issue as at the date of this announcement).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the market price of the Shares prior to and including the Last Trading Day, the capital needs of the Group as detailed in the sections headed "Reasons for and benefits of the Open Offer and the use of proceeds" below, the financial position of the Group and the prevailing market conditions. Each Qualifying Shareholder will be entitled to apply for Convertible Notes, with Share Alternative at the same Subscription Price with an assured allotment in proportion to his, her or its shareholding held on the Record Date. The terms of the Open Offer, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares, have an objective of encouraging existing Shareholders to apply in full for their assured allotments so as to share in the potential growth of the Company and are considered by the Directors to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. After deducting all relevant expenses relating to the Open Offer, the net price per Convertible Note, or new Share will be not less than approximately HK\$0.23, and not more than approximately HK\$0.24.

Qualifying Shareholders

The Company will send the Offering Documents to the Qualifying Shareholders only. The Offering Circular (but not the forms of application) will be sent to Non-Qualifying Shareholders for information only.

To qualify for the Open Offer, a shareholder must be registered as a Shareholder at the close of business on the Record Date.

In order to be registered as a holder of an Share on the Record Date, Shareholders to be registered on the Hong Kong branch register must lodge any transfer of Shares, together with the relevant share certificates, with Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Tuesday, 14th November, 2017 (Hong Kong time) (or, for Shares on the principal register, with Appleby Management (Bermuda) Limited at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda by not later than 5:30 p.m. on Monday, 13th November, 2017 (Bermuda time)), and not be a Non-Qualifying Shareholder.

The entitlements of the Qualifying Shareholders to apply for Convertible Notes or new Shares in their assured allotments will not be transferable or renounceable. There will be no trading in those entitlements on the Stock Exchange.

Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Offering Documents are not expected to be registered or filed under the applicable securities or equivalent legislation of any jurisdictions.

Prior to the despatch of the Offering Documents, the Company will make enquiries to its legal advisers of the relevant jurisdictions as to whether the offer or issue of Convertible Notes, and the Share Alternative of new Share to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 13.36(2)(a) of the Listing Rules.

If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Convertible Notes, and the Share Alternative of new Share to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholder(s), who will be Non-Qualifying Shareholders. The results of the enquiries and the basis of any exclusion of the Overseas Shareholders will be included in the Offering Circular. If they are excluded, the Company will send copies of the Offering Circular to the Non-Qualifying Shareholders for their information only, but will not send any application forms to them.

Those Qualifying Shareholders who do not apply for their entire assured allotments of Convertible Notes, or the Share Alternative to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company may be diluted upon completion of the Open Offer.

Status of the new Share

The new Shares in the Share Alternative when allotted, issued and fully paid, shall rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of those new Shares, including as to the right to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the new Shares.

Conditions of the Open Offer

The Open Offer is conditional upon, amongst other things, the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated.

Rounding down

Assured allotments in the Open Offer will be rounded down to the nearest whole number. Applications for fractions of Convertible Notes and, or the Shares in the Share Alternative will not be accepted. Fractional Convertible Notes and, fractions of 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 Shares in the Share Alternative in excess of their own assured allotments.

Closure of register of members

The register of members will be closed from Wednesday, 15th November, 2017 to Tuesday, 21st November, 2017, both days inclusive, to determine eligibility for participation in the Open Offer. No transfer of Shares will be registered during this period.

Payment

The Subscription Price for the Convertible Notes and, or new Share will be payable in by cheque or cashier order when a Qualifying Shareholder applies for Convertible Notes or Share Alternative.

Certificates for the Convertible Notes and Shares, and refund cheques

Certificates for fully paid Convertible Notes and new Shares are expected to be posted by ordinary mail to subscribers, at their own risk, who have been allotted the relevant Convertible Notes or new Shares on or before Thursday, 14th December, 2017. Refund cheques in respect of wholly or partially unsuccessful applications for Convertible Notes or new Shares (including the excess Convertible Notes or Share Alternative of new Shares, if any) are also expected to be posted to successful applicants on or before Thursday, 14th December, 2017 by ordinary post at their own risk.

Application(s) for Convertible Notes or Shares in excess of assured allotments

Qualifying Shareholders who validly apply for Convertible Notes or new Shares in the Share Alternative in amounts equal to or less than the numbers of Convertible Notes or new Shares in the Share Alternative in their assured allotments are assured of allotments in full of the Convertible Notes or new Shares in the Share Alternative for which they apply. Qualifying Shareholders will have the right to apply for Convertible Notes or Share Alternative of new Shares in excess of their assured allotments, but are not assured of receiving any Convertible Notes or new Shares in the Share Alternative in excess of those in their assured allotments. Any Convertible Notes or Share Alternative of new Shares (i) not validly applied for by the Qualifying Shareholders in accordance with their assured allotments; (ii) to which the Non-Qualifying Shareholders would otherwise have been entitled to apply, will be made available for excess applications by the Qualifying Shareholders. The Directors will allocate the excess Convertible Notes or new Shares in the Share Alternative, if any, at their discretion, but on a fair and equitable basis, to the Qualifying Shareholders who have applied for excess Convertible Notes or new Shares in the Share Alternative on a pro-rata basis with reference to the number of excess Convertible Notes or new Shares in the Share Alternative applied for. If the number of the Convertible Notes and, or the new Shares in the Share Alternative applied for exceeds the number of Convertible Notes and, or the new Shares in the Share Alternative available in the Open Offer, the Directors will allocate the Convertible Notes or new Shares at their discretion, but on a fair and reasonable basis as far as practicable and will give preference to topping-up odd lots to whole board lots.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Convertible Notes or new Shares in the Share Alternative will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The Qualifying Shareholders whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar by 4:30 p.m. on Tuesday, 14th November, 2017. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Principal terms of the Convertible Notes

The Convertible Notes will be fungible with the Existing Convertible Notes. The terms of Convertible Notes will be substantially identical to the principal terms of the Existing Convertible Notes, and the principal terms are summarised below:

Total issue price and principal amount upon issue	:	Not less than HK\$67,086,833.50 (assuming no election for the Share Alternative and no change to the issued Share capital of the Company on or before the Record Date) and not more than HK\$81,024,543.75 (assuming no election for the Share Alternative and full conversion of the Existing Convertible Notes, other than those held by Next Level Corporate Limited, and full exercise of the 261,900,000 outstanding Options on or before the Record Date)
Maturity	:	23rd November, 2024 being the tenth anniversary of the date of issue of the Existing Convertible Notes or if that is not a Business Day, the first Business Day thereafter, subject to the Company's right of earlier redemption

Distribution : 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 Shares) to its 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 Share receivable by the Shareholders under the Distribution, multiplied by (ii) the number of 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

Conversion rights and conversion price : Holders of the Convertible Notes will be entitled to convert (at an initial Conversion Price of HK\$0.25 per Convertible Note) each Convertible Note into one Share, subject to adjustment provisions which are common for convertible securities of similar type and summarised below

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 Shares or options over Shares, rights issues of other securities and modifications of rights of conversion, etc. Details of the adjustment provisions will be disclosed in the Offering Circular

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

The certificates for the 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

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 Shares. The redemption price will be calculated based on the market price of the Shares and not subject to adjustment for occurrence of any events described under the sub-heading “Distributions”

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 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

- Status : The Convertible Notes will on issue constitute direct, senior, unconditional, unsubordinated and unsecured obligations of the Company ranking equally with the Existing Convertible Notes. 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
- 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 Shares upon conversion of the Convertible Notes will cause the public float of the Shares to fall below the minimum prescribed percentage, the Company shall exercise the Cash Settlement Option, at any time upon issue of a written notice to the relevant Noteholders (within five Business Days after receipt of a conversion notice from the relevant Noteholders), to pay to the relevant Noteholders 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 Noteholders the Cash Settlement Amount not less than ten Business Days but no later than fifteen Business Days following the issue of such notice
- Conversion arrangement and procedures : A Noteholder must complete and sign a conversion notice, and lodge such notice together with relevant certificate(s) of the Convertible Notes at the office of the Registrar in Hong Kong. Share certificate(s) in respect of the conversion will be available for collection at the office of the Registrar by the tenth Business Day after receipt of the conversion notice and the certificate(s) of the Convertible Notes

No charges will be levied for the conversion of Convertible Notes

- Transferability : The Convertible Notes may be transferred or assigned from time to time
- Ranking of the Conversion Shares : The Conversion Shares, when allotted and issued upon exercise of the conversion rights, shall rank *pari passu* in all respects with all other then issued Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice
- Voting : Noteholders will not be entitled to attend or vote at any meetings of the Company by reason only of being Noteholders
- Listing : No application will be made to the Stock Exchange to list the Convertible Notes, but it will be a condition of the issue of the Convertible Notes that a listing is granted in respect of the Shares falling to be issued upon conversion of the Convertible Notes and those under the Share Alternative
- The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Shares falling to be issued upon conversion of the Convertible Notes and the new Shares to be issued under the Share Alternative
- Further issues : The terms of the Convertible Notes will not prohibit further issues of notes or other debt obligations ranking *pari passu* or in priority to the Convertible Notes

Application for listing

Application will be made the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be allotted and issued upon exercise of the conversion rights and those in the Share Alternative of new 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

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. Subject to the granting of listing of, and permission to deal in, the new Shares on the Stock Exchange, the new 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 Shares in the Share Alternative or issuable on 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.

Effects on the shareholding structure arising from the Open Offer

The tables below show certain possible effects of the Open Offer on the shareholding structure of the Company immediately upon completion of the Open Offer (assuming no issue or repurchase of Shares, and no conversion of Existing Convertible Notes and outstanding Options on or before the Record Date):

	As at the date of this announcement (Assuming no conversion or exercise of Existing Convertible Notes and Options, and no further issue or repurchase of securities on or before the Record Date)						Assuming all Shareholders apply for full assured allotment of Convertible Notes and convert all Convertible Notes into Shares immediately (other than the Undertaking Shareholders who will not convert their Convertible Notes into Shares immediately), or elects for Share Alternative for 100% of assured allotments					
	Existing Convertible Notes and Convertible		Existing Options held		%	Existing Convertible Notes and Convertible		Existing Options held		%		
	Shares held	%	Notes held	%		Shares held	%	Notes held	%			
Cityguard Holdings Limited (notes 1 & 2)	508,848,531	37.92%	–	0.00%	–	0.00%	610,618,237	39.89%	–	0.00%	–	0.00%
Mr. Oung Da Ming (note 2)	75,000,000	5.59%	–	0.00%	26,190,000	10.00%	75,000,000	4.90%	15,000,000	10.25%	26,190,000	10.00%
Gold Seal Holdings Limited (note 2)	159,388,211	11.88%	–	0.00%	–	0.00%	159,388,211	10.41%	31,877,642	21.78%	–	0.00%
Dr. Oung Shih Hua, James (note 2)	13,104,166	0.98%	–	0.00%	26,190,000	10.00%	13,104,166	0.86%	2,620,833	1.79%	26,190,000	10.00%
Sward Finance Limited (note 2)	200,000	0.01%	–	0.00%	–	0.00%	240,000	0.02%	–	0.00%	–	0.00%
Next Level Corporate Limited (notes 2 & 4)	150,000,000	11.18%	50,000,000	74.79%	–	0.00%	150,000,000	9.80%	80,000,000	54.66%	–	0.00%
Goldenfield Equities Limited (note 3)	29,449,000	2.19%	–	0.00%	–	0.00%	35,338,800	2.31%	–	0.00%	–	0.00%
Other Optionholders (note 6)	–	0.00%	–	0.00%	209,520,000	80.00%	–	0.00%	–	0.00%	209,520,000	80.00%
Public	405,746,765	30.24%	16,854,206	25.21%	–	0.00%	486,896,118	31.81%	16,854,206	11.52%	–	0.00%
Total	1,341,736,673	100.00%	66,854,206	100.00%	261,900,000	100.00%	1,530,585,532	100.00%	146,352,681	100.00%	261,900,000	100.00%
Oung family concert group	906,540,908	67.56%	50,000,000	74.79%	157,140,000	60.00%	1,008,350,614	65.88%	129,498,475	88.48%	157,140,000	60.00%
	Assuming no Shareholders (other than the Undertaking Shareholders) apply in the Open Offer, and no conversion of any Convertible Notes taken up by the Underwriter						Assuming no Shareholders (other than the Undertaking Shareholders) apply in the Open Offer, and conversion of all Convertible Notes taken up by the Underwriter (other than those the subject of the Irrevocable Undertakings)					
	Existing Convertible Notes and Convertible		Existing Options held		%	Existing Convertible Notes and Convertible		Existing Options held		%		
	Shares held	%	Notes held	%		Shares held	%	Notes held	%			
Cityguard Holdings Limited (notes 1 & 2)	508,848,531	37.92%	–	0.00%	–	0.00%	508,848,531	33.25%	–	0.00%	–	0.00%
Mr. Oung Da Ming (note 2)	75,000,000	5.59%	15,000,000	4.47%	26,190,000	10.00%	75,000,000	4.90%	15,000,000	10.25%	26,190,000	10.00%
Gold Seal Holdings Limited (note 2)	159,388,211	11.88%	220,726,501	65.85%	–	0.00%	348,237,070	22.75%	31,877,642	21.78%	–	0.00%
Dr. Oung Shih Hua, James (note 2)	13,104,166	0.98%	2,620,833	0.78%	26,190,000	10.00%	13,104,166	0.86%	2,620,833	1.79%	26,190,000	10.00%
Sward Finance Limited (note 2)	200,000	0.01%	–	0.00%	–	0.00%	200,000	0.01%	–	0.00%	–	0.00%
Next Level Corporate Limited (notes 2 & 4)	150,000,000	11.18%	80,000,000	23.87%	–	0.00%	150,000,000	9.80%	80,000,000	54.66%	–	0.00%
Goldenfield Equities Limited (note 3)	29,449,000	2.19%	–	0.00%	–	0.00%	29,449,000	1.92%	–	0.00%	–	0.00%
Other Optionholders (note 6)	–	0.00%	–	0.00%	209,520,000	80.00%	–	0.00%	–	0.00%	209,520,000	80.00%
Public	405,746,765	30.24%	16,854,206	5.03%	–	0.00%	405,746,765	26.51%	16,854,206	11.52%	–	0.00%
Total	1,341,736,673	100.00%	335,201,540	100.00%	261,900,000	100.00%	1,530,585,532	100.00%	146,352,681	100.00%	261,900,000	100.00%
Oung family concert group	906,540,908	67.56%	318,347,334	94.97%	157,140,000	60.00%	1,095,389,767	71.57%	129,498,475	88.48%	157,140,000	60.00%

The tables below show certain possible effects of the Open Offer on the shareholding structure of the Company (assuming full conversion of the Existing Convertible Notes other than those held by Next Level Corporate Limited, and full conversion of the outstanding Options, and no further issue or repurchase of Shares on or before the Record Date):

	As at the date of the announcement, assuming full conversion and exercise of the outstanding Existing Convertible Notes (other than those held by Next Level Corporate Limited) and Options, and assuming no further issue or repurchase of the Shares on or before the Record Date				Assuming all Shareholders apply for full assured allotment of Convertible Notes and converts all Convertible Notes into Shares immediately (other than the Undertaking Shareholders), or elects for Share Alternative for 100% of assured allotments			
	Shares held	%	Existing Convertible Notes and Convertible	%	Shares held	%	Existing Convertible Notes and Convertible	%
Cityguard Holdings Limited (notes 1 & 2)	508,848,531	31.40%	–	0.00%	610,618,237	32.92%	–	0.00%
Mr. Oung Da Ming (note 2)	101,190,000	6.24%	–	0.00%	101,190,000	5.46%	20,238,000	14.46%
Gold Seal Holdings Limited (note 2)	159,388,211	9.84%	–	0.00%	159,388,211	8.59%	31,877,642	22.77%
Dr. Oung Shih Hua, James (note 2)	39,294,166	2.42%	–	0.00%	39,294,166	2.12%	7,858,833	5.61%
Sward Finance Limited (note 2)	200,000	0.01%	–	0.00%	240,000	0.01%	–	0.00%
Next Level Corporate Limited (notes 2 & 4)	150,000,000	9.26%	50,000,000	100.00%	150,000,000	8.09%	80,000,000	57.15%
Goldenfield Equities Limited (note 3)	29,449,000	1.82%	–	0.00%	35,338,800	1.91%	–	0.00%
Other Optionholders (note 6)	209,520,000	12.93%	–	0.00%	251,424,000	13.56%	–	0.00%
Public	422,600,971	26.08%	–	0.00%	507,121,165	27.34%	–	0.00%
Total	1,620,490,879	100.00%	50,000,000	100.00%	1,854,614,579	100.00%	139,974,475	100.00%
Oung family concert group	1,063,680,908	65.64%	50,000,000	100.00%	1,165,490,614	62.84%	139,974,475	100.00%
	(note 7)							

	Assuming no Shareholders (other than the Undertaking Shareholders) apply in the Open Offer, and no conversion of any Convertible Notes taken up by the Underwriter				Assuming no Shareholders (other than the Undertaking Shareholders) apply in the Open Offer, and conversion of all Convertible Notes taken up by the Underwriter (other than those the subject of the Irrevocable Undertakings)			
	Shares held	%	Existing Convertible Notes and Convertible	%	Shares held	%	Existing Convertible Notes and Convertible	%
Cityguard Holdings Limited (notes 1 & 2)	508,848,531	31.40%	–	0.00%	508,848,531	30.10%	–	0.00%
Mr. Oung Da Ming (note 2)	101,190,000	6.24%	20,238,000	5.41%	101,190,000	5.99%	20,238,000	14.46%
Gold Seal Holdings Limited (note 2)	159,388,211	9.84%	266,001,342	71.10%	229,301,216 (note 5)	13.56%	31,877,642	22.77%
Dr. Oung Shih Hua, James (note 2)	39,294,166	2.42%	7,858,833	2.10%	39,294,166	2.32%	7,858,833	5.61%
Sward Finance Limited (note 2)	200,000	0.01%	–	0.00%	200,000	0.01%	–	0.00%
Next Level Corporate Limited (notes 2 & 4)	150,000,000	9.26%	80,000,000	21.38%	150,000,000	8.87%	80,000,000	57.15%
Goldenfield Equities Limited (note 3)	29,449,000	1.82%	–	0.00%	29,449,000	1.74%	–	0.00%
Other Optionholders (note 6)	209,520,000	12.93%	–	0.00%	209,520,000	12.39%	–	0.00%
Public	422,600,971	26.08%	–	0.00%	422,600,971 (note 5)	25.00%	–	0.00%
Total	1,620,490,879	100.00%	374,098,175	100.00%	1,690,403,884	100.00%	139,974,475	100.00%
Oung family concert group	1,063,680,908	65.64%	374,098,175	100.00%	1,133,593,913	67.06%	139,974,475	100.00%

Notes:

1. Cityguard Holdings Limited is a wholly-owned subsidiary of Five Star Investments Limited. Five Star Investments Limited is directly and independently (through Basurto Holdings Limited) owned as to 67% by the estate of Ms. Oung Chin Liang Fung, grandmother of Dr. Oung Shih Hua, James, and 33% by Ms. Lilian Oung, his aunt. 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%).
2. These Shareholders are members of the Oung family concert group. Gold Seal Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability and is solely owned by Mr. Oung Da Ming. As at the date of this announcement, the Oung family concert group is beneficially interested in an aggregate of 906,540,908 Shares, representing approximately 67.56% of the existing issued share capital of the Company.
3. 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.

4. Next Level Corporate Limited is owned as to 25% by Mr. Oung Da Ming, 25% by his son, Mr. Oung Shih How, 25% by Dr. Oung Shih Hua, James, and 25% by Anglo Chinese Nominees, Limited which holds its shares in Next Level Corporate Limited as bare trustee for Basurto Holdings Limited. Next Level Corporate Limited is the owner of equity derivatives relating to the Shares and a chargee of the Shares.
5. The public float in respect of the Shares of 25.00% shown in the table above is for illustration only. As mentioned above, if the issue of new Shares upon conversion of the Convertible Notes will cause the public float of the Shares to fall below the minimum prescribed percentage, the Company shall exercise the Cash Settlement Option to satisfy such conversion right. Conversion of Convertible Notes held by the Oung family concert group is therefore not expected to cause the public float of the Shares to fall below the minimum prescribed percentage required under the Listing Rules.
6. As at the date of the announcement, each of Mr. Chan Chi Ho and Mr. Yuen Chi Wah, the non-executive Directors of the Company, held 26,190,000 Options. 104,760,000 Options were held by the members of the Oung family concert group, and the remaining 52,380,000 Options were held by the directors of the subsidiaries of the Group.
7. For illustrative purposes only, upon the conversion of the outstanding Existing Convertible Notes (other than those held by Next Level Corporate Limited) and the Options, the Oung family concert group will be beneficially interested in an aggregate of 1,063,680,908 Shares, representing approximately 65.64% of the enlarged issued share capital of the Company.

UNDERWRITING ARRANGEMENT

Underwriting agreement

Date	:	Tuesday, 31st October, 2017 (executed after trading hours)
Issuer	:	The Company
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 the issue of securities. It is wholly-owned by Mr. Oung Da Ming

- Dollar value of Convertible Notes underwritten : Not less than HK\$47,212,214.50 Convertible Notes and not more than HK\$58,530,924.75 Convertible Notes, being the total number of the Convertible Notes less the aggregate number of the Convertible Notes agreed in the assured allotments of (i) Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited to be applied for in full under the Irrevocable Undertakings; and (ii) Gold Seal Holdings Limited pursuant to the the Underwriting Agreement. Accordingly, the Open Offer is fully underwritten by the Underwriter
- Commission : A commission of 3% of the amount underwritten will be charged by Gold Seal Holdings Limited. The underwriting commission is determined with reference to market practice. The Directors (including the independent non-executive Directors) consider the underwriting commission to be in line with the market rate

The Underwriter will underwrite all the Convertible Notes, excluding the Convertible Notes to be applied for by those Shareholders that have given Irrevocable Undertakings and those the subject of its undertaking under the Underwriting Agreement 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. The Board considers that the terms of the Underwriting Agreement including the underwriting commission rate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Undertakings

As at the date of this announcement, Gold Seal Holdings Limited, Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited hold 11.88%, 0.98%, 5.59% and 11.18% of the existing issued Shares respectively, and Next Level Corporate Limited also holds 50,000,000 Existing Convertible Notes. Each of the Undertaking Shareholders has undertaken to the Company that it and, or he will apply in full for its and, or his entire assured allotment of Convertible Notes under the Open Offer in full and will not elect for the Share Alternative, and not to sell any Shares, Convertible Notes or Existing Convertible Notes held or convert any Convertible Notes or Existing Convertible Notes held until the Open Offer has either been closed or terminated. Next Level Corporate Limited has undertaken to the Company not to convert any Existing Convertible Notes on or before the Record Date.

Conditions precedent of the Underwriting Agreement

The Underwriting Agreement is conditional upon, amongst other things, fulfilment or waiver of the following:

- (i) posting of the Offering Documents to the Qualifying Shareholders on the posting date; and
- (ii) the Stock Exchange granting a listing for the Shares falling to be issued upon conversion of the Convertible Notes and the new 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 Thursday, 7th December, 2017 (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, fees and expenses.

Termination of the Underwriting Agreement

The Underwriter 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 or new Shares in 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
- (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 the Company or any other members of the Group which may, in the opinion of the Underwriter, adversely affect the prospects of the Company.

Upon giving the notice of termination, all obligations of Gold Seal Holdings Limited under the Underwriting Agreement shall cease and terminate and neither party shall have any claim against the 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.

If the Underwriting Agreement does not become unconditional or is terminated, the Open Offer will not proceed.

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2017

Last day of dealings in the Shares on a cum-entitlement basis	Friday, 10th November
First day of dealings in the Shares on an ex-entitlement basis	Monday, 13th November
Latest time for lodging transfers of the Shares in order to qualify for the Open Offer	4:30 p.m. on Tuesday, 14th November
Register of members closes, both days inclusive	Wednesday, 15th November to Tuesday, 21st November
Record Date	Tuesday, 21st November
Despatch of Offering Documents	Wednesday, 22nd November
Latest time for application, and payment, for the Convertible Notes or Shares in the Share Alternative in assured allotments and in excess of assured allotments	4:00 p.m. on Wednesday, 6th December
Latest time for Underwriting Agreement to become unconditional	4:30 p.m. on Thursday, 7th December

Announcement of results of the Open Offer Wednesday, 13th December

Certificates for the Convertible Notes and Shares
in the Share Alternative expected
to be despatched on or before Thursday, 14th December

Refund cheques in respect of
wholly or partially unsuccessful applications
for excess Convertible Notes and,
or Shares in the Share Alternative
to be posted on or before Thursday, 14th December

Trading in Shares
in the Share Alternative 9:00 a.m.
on Friday, 15th December

All times and dates in this announcement refer to Hong Kong local times and dates. Shareholders should note that the dates or deadlines specified in the expected timetable of the Open Offer as set out above, and in other parts of this announcement, are indicative only and may be varied by agreement between the Company and the Underwriter. In the event that any special circumstances arise, the Board may extend, or make adjustments to, the timetable if it considers appropriate. Any such extension or adjustment to the expected timetable will be notified to the Shareholders and the Stock Exchange as and when appropriate.

REASONS FOR AND THE BENEFITS OF THE OPEN OFFER AND THE USE OF THE PROCEEDS

The principal activities of the Group are (i) property investment; and (ii) research and development of high technology system and applications.

Based on the Group's cash and bank balances as at 30th June, 2017 of approximately HK\$354,653,000, and taking into account (a) repayment of amounts due to related parties shown as current liabilities as at 30th June 2017 of HK\$64,932,000; (b) redemption of convertible redeemable preference shares as at 30th June 2017 of HK\$6,446,000; (c) repayment of secured bank borrowings shown as current liabilities as at 30th June 2017 of HK\$107,639,000; (d) projected investment for technology operations; (e) net operation costs for the next 18 months; and (f) the estimated net proceeds of the proposed Open Offer, it is expected that the Group will have a net cash deficit of approximately HK\$1.20 million.

The Board considers that the proposed Open Offer will enable the Group to strengthen its capital base and provide capital to support the investment for technology operations.

The terms of the proposed Open Offer are similar to the Company's open offer made in 2014, which also offered all shareholders Existing Convertible Notes with the option to subscribe for new Shares. The Convertible Notes will be fungible with the Existing Convertible Notes, and therefore the terms of Convertible Notes will be substantially identical to the principal terms of the Existing Convertible Notes. (Please refer to the section headed "Principal terms of the Convertible Notes" above for details.) The Directors are of the view that the terms of the proposed Open Offer as not being different to any significant extent from an open offer which offers Shares with a Convertible Note alternative, accordingly, the Directors considered to follow the terms of the previous open offer in 2014 for the proposed Open Offer as a matter of consistency.

During the period from January, 2016 to March, 2017, the Group invested in an associate known as Imagica Technology Inc. which is owned as to 49% by the Group and as to 51% by an Independent Third Party, and established three more subsidiaries to conduct research and development, software and hardware design for the manufacture and sales of a range of high technology products including:

- portable x-ray systems used in inspection devices for security and counter terrorism applications;
- accurate positioning and image sensing technologies to be integrated into semi-automated agriculture vehicles and advanced driver assistance systems (ADAS);
- advanced algorithm and software solutions used in ADAS, for example, systems for identifying objects, vehicles and people in difficult lighting conditions, forward collision warning systems, lane departure and driver awareness systems, and for surveillance and intelligent traffic markets, for example, advance camera and video systems for traffic monitoring purpose; and
- image sensors such as line scan sensors used in spectroscopy and document scanners, and other sensors used in security applications.

The maximum gross proceeds from the Open Offer will be up to approximately HK\$81.0 million. The net proceeds from the Open Offer after deduction of related expenses, are estimated to be not less than approximately HK\$62.6 million and which will be used by the Company as follows:

- approximately 99.7% of the net proceeds (approximately HK\$62.4 million) will be applied to the subsidiaries mentioned above for the development of video-processing and related artificial intelligent software for supporting the abovementioned high technology products; and
- the remaining of 0.3% of the net proceeds (approximately HK\$0.2 million) will be used to fund the technology operations carried out by the abovementioned associated companies and subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As the Open Offer will not increase the issued share capital or market capitalisation of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement and the Open Offer, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer itself is not subject to the Shareholders' approval.

The Underwriter is a substantial Shareholder of the Company and is solely owned by Mr. Oung Da Ming, a connected person of the Company. Accordingly, the Underwriter is a connected person of the Company as defined under the Listing Rules and the transactions between the Company and the Underwriter as contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, as (i) the arrangements have been made in relation to excess applications in compliance with Rule 7.21 of the Listing Rules; and (ii) the Underwriting Agreement is on normal commercial terms and the underwriting commission payable less than HK\$10,000,000, and all applicable percentage ratios specified in the Listing Rules are less than 25%, the Underwriting Agreement is subject to reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

ADJUSTMENTS IN RELATION TO THE OPTIONS

Pursuant to the terms of the Share Option Scheme, the Open Offer may lead to an adjustment to the number of Shares subject to the Options so far as unexercised and, or the exercise price payable by each Optionholder and, or the method of exercise of the Options and, or the maximum number of Shares available for subscription under the Share Option Scheme. Such adjustment, if any, shall be certified either by the auditors or independent financial advisers appointed by the Company. The Company will notify holders of the Options such adjustments, if any, upon the Open Offer having become unconditional. Further announcement will be made by the Company in relation to details of such adjustments as and when appropriate.

GENERAL

The Company has not conducted any fundraising exercise during the last 12 months preceding the date of this announcement save for loans borrowed from third parties and, or related parties.

The Offering Documents setting out details of the Open Offer are expected to be despatched to the Qualifying Shareholders on or about Wednesday, 22nd November, 2017. The Company will send the Offering Circular to the Non-Qualifying Shareholders for information only.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The entitlements of Qualifying Shareholders to apply for Convertible Notes and, or new Shares in the Share Alternative in their assured allotments will not be transferable or renounceable. There will be no trading in those entitlements on the Stock Exchange.

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and not having been terminated. Accordingly, the Open Offer may or may not proceed.

The new Shares will be dealt in on an ex-entitlement basis commencing from Monday, 13th November, 2017 and dealings in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meanings.

“acting in concert”	the meaning ascribed to it under the Takeovers Code
“associate(s)”	the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for business

“Cash Settlement Amount”	the product of (i) the number of 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 market price of the Shares for each Business Day during the five Business Days last preceding the delivery date of the notice of conversion by the Noteholder
“Cash Settlement Option”	an option of the Company to pay to the relevant Noteholder an amount of cash in HK\$ 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”	Paladin Limited, an exempted company incorporated in Bermuda with limited liability, whose Shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Convertible Notes”	the unsecured zero coupon participating convertible notes due 2024 to be issued and allotted under the Open Offer ranking <i>pari passu</i> with the Existing Convertible Notes
“Conversion Price”	HK\$0.25 per Convertible Note, subject to adjustment provisions
“Conversion Share(s)”	new Share(s) that may be issued on exercise of conversion rights to be attached to the Convertible Notes
“Director(s)”	the director(s) of the Company

“Early Redemption Amount”	the product of (i) the number of 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 market price of the 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
“Existing Convertible Notes”	the unsecured zero coupon participating convertible notes due 2024 issued by the Company on 24th November, 2014, as amended or supplemented by a further instrument dated 23rd April, 2015, with an outstanding principal amount of HK\$16,713,551.5
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or any of its connected persons
“Irrevocable Undertakings”	the conditional irrevocable undertaking dated 31st October, 2017 given by each of Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited in favour of the Company and Underwriter pursuant to which they have conditionally undertaken, amongst other things, to apply for their entire assured allotments of Convertible Notes

“Last Acceptance Date”	Wednesday, 6th December, 2017, being the last day for application, and payment, for the Convertible Notes, or the Shares in assured allotments and in excess of assured allotments, or such other date as the Company may determine and notify the Underwriter in writing
“Last Trading Day”	31st October, 2017, being the trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant overseas regulatory bodies or stock exchanges, considers it necessary or expedient to exclude them from the Open Offer
“Noteholder”	the registered holder of a Convertible Note
“Offering Circular”	an offering circular containing the Open Offer to be issued by the Company to the Shareholders in relation to the Open Offer
“Offering Documents”	the Offering Circular and the forms of application in the Open Offer
“Open Offer”	the open offer on the basis of assured allotments of one Convertible Note (with the Share Alternative of one new Share) for every five Shares held on the Record Date at the Subscription Price
“Options”	options issued under the Share Option Scheme

“Option Shares”	a maximum of 261,900,000 new Shares to be allotted and issued upon the exercise of all the outstanding 261,900,000 Options
“Optionholders”	holders of outstanding Options
“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), Mr. Oung Shih How (son of Mr. Oung Da Ming), Ms. Hsu Ong Hsiao Ling (sister of Mr. Oung Da Ming), Ms. King Camille V. (the niece of the Mr. Oung Da Ming), Mr. Zee Alfred (the nephew of Mr. Oung Da Ming) and companies controlled by them, namely Cityguard Holdings Limited, Gold Seal Holdings Limited, Next Level Corporate Limited
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is, or are outside Hong Kong as at the close of business on the Record Date
“Qualifying Shareholder(s)”	Shareholder(s) other than those Overseas Shareholder(s) 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
“Record Date”	Tuesday, 21st November, 2017, being the date on which Shareholders must be registered on the register of Shareholders to be entitled to apply in the Open Offer

“Redemption Amount”	the product of (i) the number of 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 Share
“Registrar”	Computershare Hong Kong Investors Services Limited, being the Hong Kong branch share registrar and transfer office of the Company located at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	the share(s) of HK\$0.01 nominal value in the capital of the Company
“Share Alternative”	the share alternative to the Convertible Notes, on the basis of assured allotments of one Share for every five existing Shares held on Record Date
“Share Option Scheme”	the share option scheme of the Company adopted on 8th December, 2015 and refreshed on 12th December, 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.25
“Takeovers Code”	The Codes on Takeovers and Mergers
“Undertaking Shareholders”	Dr. Oung Shih Hua, James, Mr. Oung Da Ming and Next Level Corporate Limited, all of whom have given the Irrevocable Undertakings to the Company as set out in this announcement; and Gold Seal Holdings Limited which has given an undertaking pursuant to the Underwriting Agreement

“Underwriter”	Gold Seal Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Oung Da Ming, a connected person of the Company
“Underwriting Agreement”	the agreement dated 31st October, 2017 entered into between the Company and Gold Seal Holdings Limited relating to the underwriting of the Open Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 31st October, 2017

At the date of this announcement, the chairman and executive Director of the Company is Dr. Oung Shih Hua, James; the non-executive Directors of the Company are Mr. Yuen Chi Wah and Mr. Chan Chi Ho; and the independent non-executive Directors of the Company are Dr. Au Chik Lam Alexander, Mr. Liu Man Kin Dickson and Mr. Luo Rongxuan.