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## **PALADIN LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 495)

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2022**

The board of directors (the “Board”) of Paladin Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 30 June 2022 together with comparative figures for the previous year as follows:

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

*FOR THE YEAR ENDED 30 JUNE 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue</b>	<i>3</i>	<b>28,783</b>	18,272
Cost of sales		<u>(16,678)</u>	<u>(6,203)</u>
<b>Gross profit</b>		<b>12,105</b>	12,069
Other income	<i>5</i>	<b>444</b>	1,927
Other gains and losses	<i>6</i>	<b>(31,808)</b>	18,035
Impairment of goodwill		–	(2,179)
Impairment of other intangible assets		–	(1,892)
Administrative and other operating expenses		<u>(67,971)</u>	<u>(79,294)</u>
<b>Loss from operations</b>		<b>(87,230)</b>	(51,334)
Finance costs	<i>7</i>	<u>(2,144)</u>	<u>(2,554)</u>
<b>Loss before tax</b>		<b>(89,374)</b>	(53,888)
Income tax (expense)/credit	<i>8</i>	<u>(92)</u>	<u>715</u>
<b>Loss for the year</b>		<u><b>(89,466)</b></u>	<u>(53,173)</u>

	<i>Note</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i>
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>890</u>	<u>547</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>890</u>	<u>547</u>
<b>Total comprehensive income for the year</b>		<u><b>(88,576)</b></u>	<u><b>(52,626)</b></u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(81,849)</b>	(44,535)
Non-controlling interests		<u><b>(7,617)</b></u>	<u>(8,638)</u>
		<u><b>(89,466)</b></u>	<u><b>(53,173)</b></u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>(81,292)</b>	(44,243)
Non-controlling interests		<u><b>(7,284)</b></u>	<u>(8,383)</u>
		<u><b>(88,576)</b></u>	<u><b>(52,626)</b></u>
<b>Loss per share</b>			
	<i>9</i>		
Basic ( <i>HK cents per share</i> )		<u><b>(5.84)</b></u>	<u>(3.17)</u>
Diluted ( <i>HK cents per share</i> )		<u><b>(5.84)</b></u>	<u>(3.17)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>527,400</b>	562,800
Property, plant and equipment	<i>11</i>	<b>224,047</b>	231,554
Right-of-use assets		<b>496</b>	1,146
Goodwill		–	–
Other intangible assets		–	–
Financial assets at fair value through profit or loss (“FVTPL”)		<b>34,709</b>	33,326
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>786,652</b>	828,826
<b>Current assets</b>			
Financial assets at FVTPL		–	20,000
Inventories		<b>4,725</b>	3,254
Trade and other receivables	<i>12</i>	<b>5,666</b>	4,994
Bank and cash balances		<b>86,673</b>	141,926
		<hr/>	<hr/>
<b>Total current assets</b>		<b>97,064</b>	170,174
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>13,451</b>	13,963
Contract liabilities		<b>52</b>	–
Due to related parties		<b>19,849</b>	24,712
Secured bank borrowings		<b>83,230</b>	98,645
Convertible notes		<b>22,987</b>	25,286
Other borrowings		<b>4,982</b>	2,292
Lease liabilities		<b>651</b>	725
Current tax liabilities		<b>92</b>	–
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>145,294</b>	165,623
<b>Net current (liabilities)/assets</b>		<b>(48,230)</b>	4,551
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>738,422</b>	833,377

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Other borrowings	<b>16,977</b>	22,771
Lease liabilities	–	645
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>16,977</b>	23,416
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>721,445</b>	809,961
	<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>14,014</b>	14,033
Reserves	<b>735,063</b>	812,622
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>749,077</b>	826,655
Non-controlling interests	<b>(27,632)</b>	(16,694)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>721,445</b>	809,961
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

## 1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a loss of approximately HK\$89,466,000 during the year ended 30 June 2022 and, as of that date, the Group had net current liabilities of approximately HK\$48,230,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

- (i) The mortgage loans of approximately HK\$83,230,000 with a repayment on demand clause will be repaid in accordance with the scheduled repayment dates and the banks will not exercise their discretionary rights to demand immediate repayment; and
- (ii) The Group has been implementing various strategies to enhance the Group’s revenue and profitability.

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

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

### (a) Application of new and revised HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

### 3. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
– recognised at a point in time		
Sales of goods	20,102	10,756
<b>Revenue from other sources</b>		
Rental income	<u>8,681</u>	<u>7,516</u>
	<u><b>28,783</b></u>	<u><b>18,272</b></u>

### 4. SEGMENT INFORMATION

The Group has two operating segments as follows:

- Property investment: rental income from leasing out of investment properties; and
- Research and development: conducting research and development, software and hardware design for the manufacture and sale of a range of high technology products such as portable x-ray systems, advanced algorithm and software solutions, image sensors etc.

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

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

Information about operating segment profit or loss:

	<b>Property investment <i>HK\$'000</i></b>	<b>Research and development <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Year ended 30 June 2022:			
Revenue from external customers	<u>8,681</u>	<u>20,102</u>	<u>28,783</u>
Segment loss	<u>(37,593)</u>	<u>(44,666)</u>	<u>(82,259)</u>
Unallocated expenses			(10,871)
Unallocated income			<u>3,756</u>
Consolidated loss before tax			<u>(89,374)</u>
Interest expense	1,673	471	2,144
Depreciation and amortisation	6,936	1,201	8,137
Other material non-cash items:			
Fair value losses on investment properties	35,400	–	35,400



	Property investment <i>HK\$'000</i>	Research and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2021:			
Revenue from external customers	<u>7,516</u>	<u>10,756</u>	<u>18,272</u>
Segment profit/(loss)	<u>6,149</u>	<u>(53,644)</u>	(47,495)
Unallocated expenses			(14,767)
Unallocated income			<u>8,374</u>
Consolidated loss before tax			<u>(53,888)</u>
Interest expense	1,926	628	2,554
Depreciation and amortisation	6,493	1,729	8,222
Other material non-cash items:			
Fair value gains on investment properties	9,500	–	9,500
Impairment of goodwill	–	2,179	2,179
Impairment of other intangible assets	–	1,892	1,892

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

Reconciliation of segment loss from operations:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Total loss of reportable segments	<b>(82,259)</b>	(47,495)
Unallocated amounts:		
Other income	<b>85</b>	448
Other gains and losses	<b>3,671</b>	7,926
Administrative and other operating expenses	<b>(10,871)</b>	(14,767)
Consolidated loss before tax	<b><u>(89,374)</u></b>	<u>(53,888)</u>

Geographical information:

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

	<b>Revenue</b>	
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>8,681</b>	7,516
Finland	<b>20,102</b>	10,756
Consolidated total	<b><u>28,783</u></b>	<u>18,272</u>

The Group's non-current assets (other than certain property, plant and equipment and right-of-use assets) are mainly located in Hong Kong.

Revenue from major customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Property investment segment		
Customer a	8,681	7,516
Research and development segment		
Customer b	–	2,374
Customer c	<u>13,162</u>	<u>–</u>

## 5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants received ( <i>Note</i> )	412	1,830
Bank interest income	10	15
Others	<u>22</u>	<u>82</u>
	<u>444</u>	<u>1,927</u>

*Note:* During the year, the Group recognised government grants of HK\$412,000 (2021: HK\$1,141,000) in respect of COVID-19 related subsidies, of which approximately HK\$64,000 relates to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. Government grants of HK\$Nil (2021: HK\$689,000) and approximately HK\$348,000 (2021: HK\$640,000) mainly represented immediate financial support granted by the local governments to certain subsidiaries operating in Canada and Finland and Paycheck Protection Program forgiveness by the local government to one of the subsidiaries operating in The United States of America respectively.

For Employment Support Scheme, the Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled conditions relating to these programs during the year. For other government grants, there were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

## 6. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value (losses)/gains on investment properties	(35,400)	9,500
Fair value gains on financial assets at FVTPL	1,383	2,409
Fair value gains on convertible notes	2,299	5,363
Gain on disposal of property, plant and equipment	24	–
Net foreign exchange (losses)/gains	(114)	763
	<u>(31,808)</u>	<u>18,035</u>

## 7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on lease liabilities	208	357
Interest on bank borrowings	1,673	1,926
Interest on other borrowings	242	249
Interest on bank overdrafts	21	22
	<u>2,144</u>	<u>2,554</u>

## 8. INCOME TAX EXPENSE/(CREDIT)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	92	–
Deferred tax	–	(715)
	<u>92</u>	<u>(715)</u>

Under the two-tiered Profits Tax regime, Profits Tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

No provision for Hong Kong Profits Tax was required for the year ended 30 June 2021 since the Group had no assessable profit for that year.

The People's Republic of China Enterprise Income Tax has been provided at a rate of 25% (2021: 25%).

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense/(credit) and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss before tax	<u>(89,374)</u>	<u>(53,888)</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	(14,747)	(8,891)
Tax effect of income that is not taxable	(1,098)	(4,376)
Tax effect of expenses that are not deductible	13,029	12,420
Tax effect of tax losses not recognised	5,059	2,895
Tax effect of other temporary differences not recognised	(185)	(845)
Tax effect of utilisation of tax losses not previously recognised	(107)	(179)
Effect of different tax rates of subsidiaries	(1,757)	(1,739)
Tax effect of two-tiered Profits Tax regime	<u>(102)</u>	<u>–</u>
Income tax expense/(credit)	<u><u>92</u></u>	<u><u>(715)</u></u>

## **9. LOSS PER SHARE**

### **Basic loss per share**

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$81,849,000 (2021: HK\$44,535,000) and the weighted average number of ordinary shares of 1,401,746,590 (2021: 1,405,854,316).

For the years ended 30 June 2022 and 2021, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has taken into account the ordinary shares cancelled in August 2021 and August 2020 respectively.

### **Diluted loss per share**

As the conversion of the Company's outstanding convertible notes would be anti-dilutive and there were no dilutive potential ordinary shares for the Company's share options, diluted loss per share was same as the basic loss per share for the years ended 30 June 2022 and 2021.

## **10. DIVIDEND**

No dividend was paid or proposed by the Company during the year ended 30 June 2022 (2021: Nil), nor has any dividend been proposed since the end of the reporting period.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 1 July 2020	205,000	11,858	9,578	1,679	228,115
Transfer from investment properties	39,000	–	–	–	39,000
Additions	–	–	509	–	509
Exchange differences	–	–	123	–	123
At 30 June 2021 and 1 July 2021	244,000	11,858	10,210	1,679	267,747
Additions	–	–	424	–	424
Disposal	–	–	(168)	–	(168)
Exchange differences	–	–	(195)	–	(195)
At 30 June 2022	244,000	11,858	10,271	1,679	267,808
<b>Accumulated depreciation and impairment</b>					
At 1 July 2020	14,236	5,687	8,316	614	28,853
Charge for the year	4,714	1,779	537	252	7,282
Exchange differences	–	–	58	–	58
At 30 June 2021 and 1 July 2021	18,950	7,466	8,911	866	36,193
Charge for the year	5,157	1,779	577	252	7,765
Disposal	–	–	(108)	–	(108)
Exchange differences	–	–	(89)	–	(89)
At 30 June 2022	24,107	9,245	9,291	1,118	43,761
<b>Carrying amount</b>					
<b>At 30 June 2022</b>	<u>219,893</u>	<u>2,613</u>	<u>980</u>	<u>561</u>	<u>224,047</u>
At 30 June 2021	<u>225,050</u>	<u>4,392</u>	<u>1,299</u>	<u>813</u>	<u>231,554</u>

At 30 June 2022, the carrying amount of leasehold land and buildings pledged as security for the Group's bank loans amounted to HK\$182,222,000 (2021: HK\$186,493,000).

## 12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	1,621	1,619
Other receivables	2,231	1,509
Deposits	1,137	1,095
Prepayments	677	771
	<u>5,666</u>	<u>4,994</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days from the invoice date. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 90 days	1,436	1,619
91 – 180 days	185	–
	<u>1,621</u>	<u>1,619</u>

The carrying amounts of the Group's trade receivables are denominated in Euro ("EUR").



### 13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	609	747
Accruals	6,614	7,179
Rental deposits received	3,969	3,969
Other payables	<u>2,259</u>	<u>2,068</u>
	<u><b>13,451</b></u>	<u><b>13,963</b></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 90 days	<u><b>609</b></u>	<u><b>747</b></u>

The carrying amounts of the Group's trade payables are denominated in EUR.

## **EXTRACTS OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract from the independent auditor's report on the consolidated financial statements of the Group for the year ended 30 June 2022 which has included an emphasis of matter paragraph for material uncertainty in relation to going concern, but without modification of opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by the HKICPA and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$89,466,000 during the year ended 30 June 2022 and, as of that date, the Group had net current liabilities of approximately HK\$48,230,000. As stated in note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **DIVIDEND**

The Directors of the Company do not recommend the payment of a final dividend (2021: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 20 December 2022, the register of members of the Company will be closed from Thursday, 15 December 2022 to Tuesday, 20 December 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 December 2022.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

## **BUSINESS REVIEW AND PROSPECTS**

The Group recorded a loss of approximately HK\$89 million as compared to a loss of approximately HK\$53 million for the corresponding period in 2021. Such increase in loss is mainly due to fair value losses on the Group's investment properties of approximately HK\$35 million in 2022 as compared to fair value gains on investment properties of approximately HK\$10 million for the corresponding period in 2021.

### **Properties investment**

Turnover of the Group for the year ended 30 June 2022 comprising rental income from its investment properties amounted to approximately HK\$9 million (2021: HK\$8 million).

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

## **Development of high technology products**

Due to COVID-19's continued effect and restrictions on the world economy along with the chip shortage situation in the semiconductor industry, we have experienced some setbacks in our technology operations. However, we are still able to show progress during the period under review in the Group's development of the next generation technology for a number applications involving imaging, surveillance, navigation and advanced semiconductor processing. The technology division of the Group now comprises five operations in four countries employing about 50 research and development engineers. To date, the Group working together with the Finnish Funding Agency for Technology and Innovation, have invested around HK\$146 million and further substantial investment is anticipated in the coming years. One of our technology divisions in Finland has generated revenue of approximately HK\$20 million in the current year but not as much as expected due to the above mentioned setbacks. It is expected that sales of a number of technological products or systems developed by the Group will continue or will commence soon and we are aiming that by the calendar year 2027, our technology division will generate a revenue of US\$48 million.

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

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

Pexray Oy – 70.6% held, based in Espoo, Finland is engaged in the development of portable x-ray imaging systems used in inspection devices for security and counter-intelligence applications in such areas on baggage scanning, border control and customs, the detection of explosive devices, forensic investigation and security at large scale sporting and other events. Industrial business area focuses on non-destructive testing (NDT) of critical structures, typical applications being power plants, oil and gas industry and aerospace. The total sales for the year ended 30 June 2022 was approximately HK\$19 million. The major products are focusing on portable x-ray devices intended for security and NDT applications as follows:

- Scanning panel product line for security applications:

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

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

- Flat panel product for industrial NDT application:

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

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

Dynim Oy – 73% held, based in Oulu, Finland is developing high end camera products and artificial intelligence software for industrial applications, heavy machinery, and autonomous ground vehicles. Company's core products in 2022 are rugged stereo camera and solution for visual-inertial odometry by fusion of stereo camera, inertial measurement unit and auxiliary application specific sensors.

- Rugged stereo camera is for heavy duty industrial applications. This camera has been in development since 2020 and it is based on state-of-art application processor from NXP Semiconductors. Further sensor fusion applications will be enabled utilizing embedded IMU and GNSS receiver. First articles (2pcs) were delivered for pilot customer in mining industry evaluation May 2021. Another six units were delivered in November 2021. An MVP product with pilot customer features implemented was delivered in March 2022. Customer pilot testing continues through 2022 and they have indicated interest in Dynim's new developments on the camera's SoC platform especially the release making use of the embedded NPU processor for machine learning.

Development of machine learning framework release for the stereo camera product has been delayed because of critical errors in platform software by the SoC supplier. Development will resume on second half of 2022 in conjunction with the development of visual-inertial odometry application which is the pilot application utilizing the embedded AI accelerator (NPU).

- Project to develop solution for stereo camera based visual-inertial odometry was started in fourth quarter 2021. Development has been slower than expected mainly because of issues in third party code and limited support from processor manufacturer. Work continues in third quarter 2022 and proof-of-concept is planned to be ready in fourth quarter 2022.
- 4K camera product development has been put on hold due to development resources working on other priorities.

Navigs Oy – 81.8% held, based in Espoo, Finland. Navigs Oy is engaged in the development of accurate positioning and image sensing technologies to be integrated into semi-automated agricultural vehicles and advanced driver assistance systems in agricultural vehicles to achieve autonomous precision farming, and for application in marine navigation systems. The major products are IPESSA Classic, IPESSA Tiny and IPESSA Nano.

- IPESSA Classic is a stand-alone, self-contained positioning module for autonomous Agri- and other robotics, and based on sensor fusion of satellite and high-performance inertial positioning technologies. The pilot sales of IPESSA Classic suggests that the cost structure of high-performance IPESSA Classic makes it less attractive in basic, originally targeted agricultural vehicles. Marketing effort is therefore now focusing on special applications, where high positioning performance is needed and justified.
- IPESSA Tiny is a low-cost positioning module for light, autonomous vehicles in precision farming, delivery robots, and drones and is based on dual satellite receiver and inertial sensing. Prototypes were completed in early 2021. Piloting with chosen customers was delayed due to global chip shortages, and it is ongoing in first quarter 2022. Volume production is expected to start in the second half of 2022.
- IPESSA Nano is a compact positioning module for applications, such as drones and small AGVs, where size and weight are key criteria. It is based on a dual-antenna satellite receiver and inertial measurement unit. Otherwise, IPESSA Nano is a compromised solution with less features than IPESSA Tiny. IPESSA Nano prototype hardware and mechanics were produced late 2021, but due to lack of engineering resources the software development was delayed. Target to finish IPESSA Nano prototypes in third quarter of 2022 and run customer pilots during the second half of 2022. Expecting to start volume production in the first half of 2023.

Imagica Technology Inc. – 65.8% held, based in Vancouver, Canada. This company is developing a series of linear image sensors for use in spectroscopy, document scanners as well as sensors used for a number of security and machine vision applications. The major products are as follows:

– ITC576:

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

– ITM– Machine vision modules:

Using the ITC576 but packaged in a high-performance form for high-speed imaging.

– ITA– 2K high-performance sensor:

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

Skyin Technology Limited – 70% held, based in Shanghai, the PRC. The company has developed a number of 3D industrial cameras, 3D industrial vision software, and AI-based industrial vision application solutions. We communicated with many domestic food processing, steel and other enterprises as well as foreign customers such as Vietnam, to provide solutions and consultation.

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

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

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

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

As at 30 June 2022, net current liabilities of the Group were approximately HK\$48 million. The current ratio, current assets divided by current liabilities, was 0.67. The bank balances and cash were approximately HK\$87 million.

As at 30 June 2022, the Group has outstanding liabilities of approximately HK\$162 million comprising (i) trade and other payables of approximately HK\$13 million, (ii) amounts due to related parties of approximately HK\$20 million, (iii) secured bank borrowings of approximately HK\$83 million, (iv) convertible notes of approximately HK\$23 million and other borrowings and liabilities of approximately HK\$23 million. Secured bank borrowings are on floating interest rates basis.

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

The Group's bank borrowings were secured by leasehold land and buildings of approximately HK\$182 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 18.36%.

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

During the year ended 30 June 2022, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2022, the Group had no material investment.



## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed total of 70 employees. They were remunerated according to market conditions.

## CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

## PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 30 June 2022, the Company repurchased 350,000 shares of its own ordinary shares through Main Board of The Stock Exchange of Hong Kong Limited at a total consideration of approximately HK\$43,000 (excluding transaction costs).

Details of the repurchases are as follows:

Month	Total number of the ordinary shares	Highest price	Lowest price	Aggregate consideration (excluding transaction costs)
		paid per share <i>HK\$</i>	paid per share <i>HK\$</i>	<i>HK\$000</i>
July 2021	210,000	0.138	0.130	27
October 2021	50,000	0.140	0.140	7
April 2022	90,000	0.100	0.100	9

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

## REVIEW OF FINAL RESULTS

The Audit Committee has reviewed the annual results of the Group for the year ended 30 June 2022.

## **CORPORATE GOVERNANCE**

The board of directors of the Company (the “Board”) believes that corporate governance is essential to the success of the Company. During the year ended 30 June 2022, the Company has complied with all the code provisions in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save and except as disclosed below:

- the non-executive directors and independent non-executive directors are not appointed for a specific term in accordance with code provision A.4.1 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the bye-laws of the Company.
- under code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings of the Company. Certain independent non-executive directors of the Company were unable to attend the annual general meeting of the Company as they had other business commitment.
- Under the Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Dr. Oung Shih Hua, James is the Chairman of the Company and the Company currently does not appoint Chief Executive Officer. In the opinion of the Board, Dr. Oung temporarily acts as the role of the Chief Executive Officer. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for efficient and effective business planning and execution.
- Code provision A.5.6 requires that the nomination committee should have a policy concerning diversity of board members. The Company does not consider it necessary to have a policy concerning diversity of board members. Board appointments are based on merit, in the context of the skills, experience and expertise that the selected candidates will bring to the Board. While the Company is committed to equality of opportunity in all aspects of its business and endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives, the Company does not consider a formal board diversity policy will provide measurable benefits to enhance the effectiveness of the Board.

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

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

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

By Order of the Board  
**Oung Shih Hua, James**  
*Chairman*

Hong Kong, 27 September 2022

*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.*