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## **PALADIN LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 495)

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2021**

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 2021 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 2021*

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue</b>	<i>3</i>	<b>18,272</b>	11,742
Cost of sales		<u>(6,203)</u>	<u>(1,986)</u>
<b>Gross profit</b>		<b>12,069</b>	9,756
Other income	<i>5</i>	<b>1,927</b>	2,741
Other gains and losses	<i>6</i>	<b>18,035</b>	(68,180)
Impairment of goodwill		<b>(2,179)</b>	–
Impairment of other intangible assets		<b>(1,892)</b>	–
Administrative and other operating expenses		<u>(79,294)</u>	<u>(76,541)</u>
<b>Loss from operations</b>		<b>(51,334)</b>	(132,224)
Finance costs	<i>7</i>	<b>(2,554)</b>	(4,504)
Gain on deemed disposal of an associate		–	3,772
Share of loss of an associate		–	<u>(2,714)</u>
<b>Loss before tax</b>		<b>(53,888)</b>	(135,670)
Income tax credit/(expense)	<i>8</i>	<u>715</u>	<u>(439)</u>
<b>Loss for the year</b>		<u><b>(53,173)</b></u>	<u>(136,109)</u>

	<i>Note</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <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>547</u>	<u>(1,049)</u>
Other comprehensive income for the year, net of tax		<u>547</u>	<u>(1,049)</u>
Total comprehensive income for the year		<u><b>(52,626)</b></u>	<u><b>(137,158)</b></u>
<b>Loss for the year attributable to:</b>			
Owners of the Company		<u>(44,535)</u>	<u>(128,591)</u>
Non-controlling interests		<u>(8,638)</u>	<u>(7,518)</u>
		<u><b>(53,173)</b></u>	<u><b>(136,109)</b></u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<u>(44,243)</u>	<u>(129,205)</u>
Non-controlling interests		<u>(8,383)</u>	<u>(7,953)</u>
		<u><b>(52,626)</b></u>	<u><b>(137,158)</b></u>
<b>Loss per share</b>			
	<i>9</i>		
Basic ( <i>HK cents per share</i> )		<u><b>(3.17)</b></u>	<u><b>(8.96)</b></u>
Diluted ( <i>HK cents per share</i> )		<u><b>(3.17)</b></u>	<u><b>(8.96)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		562,800	592,300
Property, plant and equipment	11	231,554	199,262
Right-of-use assets		1,146	2,521
Goodwill		–	2,179
Other intangible assets		–	2,485
Financial assets at fair value through profit or loss (“FVTPL”)		<u>33,326</u>	<u>50,917</u>
<b>Total non-current assets</b>		<u>828,826</u>	<u>849,664</u>
<b>Current assets</b>			
Financial assets at FVTPL		20,000	–
Inventories		3,254	2,276
Trade and other receivables	12	4,994	4,940
Bank and cash balances		<u>141,926</u>	<u>209,785</u>
<b>Total current assets</b>		<u>170,174</u>	<u>217,001</u>
<b>Current liabilities</b>			
Trade and other payables	13	13,963	15,843
Due to related parties		24,712	34,638
Secured bank borrowings		98,645	101,290
Convertible notes		25,286	30,649
Other borrowings		2,292	582
Lease liabilities		<u>725</u>	<u>1,366</u>
<b>Total current liabilities</b>		<u>165,623</u>	<u>184,368</u>
<b>Net current assets</b>		<u>4,551</u>	<u>32,633</u>
<b>Total assets less current liabilities</b>		<u>833,377</u>	<u>882,297</u>

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Other borrowings	<b>22,771</b>	17,014
Lease liabilities	<b>645</b>	1,367
Deferred tax liabilities	<u>–</u>	<u>671</u>
<b>Total non-current liabilities</b>	<b><u>23,416</u></b>	<u>19,052</u>
<b>NET ASSETS</b>	<b><u><u>809,961</u></u></b>	<b><u><u>863,245</u></u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>14,033</b>	14,290
Reserves	<b><u>812,622</u></b>	<u>863,491</u>
Equity attributable to owners of the Company	<b>826,655</b>	877,781
Non-controlling interests	<u>(16,694)</u>	<u>(14,536)</u>
<b>TOTAL EQUITY</b>	<b><u><u>809,961</u></u></b>	<b><u><u>863,245</u></u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 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 Main Board of the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the disclosure requirements of the Hong Kong 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.

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

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

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***Amendments to HKAS 1 and HKAS 8 Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

### ***Amendments to HKFRS 3 Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 July 2020. The application of the amendments had no impact on the consolidated financial statements.

### ***Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform***

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group.

**(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 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
– recognised at a point in time		
Sales of goods	10,756	3,543
<b>Revenue from other sources</b>		
Rental income	<u>7,516</u>	<u>8,199</u>
	<u><b>18,272</b></u>	<u><b>11,742</b></u>

### 4. SEGMENT INFORMATION

The Group has two operating segments as follows:

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

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

Segment profits or losses do not include certain other income, gain on deemed disposal of an associate, fair value gains/(losses) on convertible notes, fair value gains/(losses) on financial assets at FVTPL, share of loss of an associate, unallocated corporate expenses and unallocated finance costs.

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 2021:			
Revenue from external customers	<u>7,516</u>	<u>10,756</u>	<u>18,272</u>
Segment profit/(loss)	<u><u>6,149</u></u>	<u><u>(53,644)</u></u>	<u>(47,495)</u>
Unallocated expenses			(14,767)
Unallocated income			<u>8,374</u>
Consolidated loss before tax			<u><u>(53,888)</u></u>
Interest expense	1,927	607	2,534
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

	Property investment <i>HK\$'000</i>	Research and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 June 2020:			
Revenue from external customers	8,199	3,543	11,742
Segment loss	<u>(68,576)</u>	<u>(49,706)</u>	(118,282)
Unallocated expenses			(21,223)
Unallocated income			<u>3,835</u>
Consolidated loss before tax			<u>(135,670)</u>
Interest expense	3,683	634	4,317
Depreciation and amortisation	6,049	1,338	7,387
Other material non-cash items:			
Fair value losses on investment properties	64,800	–	64,800
Written off of property, plant and equipment	–	238	238

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>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total loss of reportable segments	<b>(47,495)</b>	(118,282)
Share of loss of an associate	–	(2,714)
Unallocated amounts:		
Other income	<b>448</b>	63
Other gains and losses	<b>7,926</b>	(3,142)
Administrative and other operating expenses	<b>(14,747)</b>	(15,180)
Finance costs	<b>(20)</b>	(187)
Gain on deemed disposal of an associate	–	3,772
	<u>–</u>	<u>3,772</u>
Consolidated loss before tax	<b><u>(53,888)</u></b>	<b><u>(135,670)</u></b>

Geographical information:

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

	<b>Revenue</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	<b>7,516</b>	8,199
Finland	<b>10,756</b>	3,543
	<u>18,272</u>	<u>11,742</u>
Consolidated total	<b><u>18,272</u></b>	<b><u>11,742</u></b>

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

Revenue from major customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Property investment segment		
Customer a	7,516	8,199
Research and development segment		
Customer b	–	1,217
Customer c	2,374	–
	<u>          </u>	<u>          </u>

## 5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants received ( <i>Note</i> )	1,830	2,535
Bank interest income	15	69
Others	82	137
	<u>          </u>	<u>          </u>
	<u>1,927</u>	<u>2,741</u>

*Note:* During the year, the Group recognised government grants of approximately HK\$1,141,000 (2020: HK\$Nil) in respect of COVID-19 related subsidies, of which approximately HK\$432,000 relates to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. Government grants of approximately HK\$689,000 (2020: HK\$2,535,000) mainly represented immediate financial support granted by the local governments to certain subsidiaries operated in Canada and Finland.

For the 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value gains/(losses) on investment properties	9,500	(64,800)
Fair value gains/(losses) on convertible notes	5,363	(1,916)
Written off of property, plant and equipment	–	(238)
Fair value gains/(losses) on financial assets at FVTPL	2,409	(1,226)
Net foreign exchange gains	763	–
	<u>18,035</u>	<u>(68,180)</u>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on lease liabilities	357	629
Interest on bank borrowings	1,926	3,683
Interest on other borrowings	249	154
Interest on bank overdrafts	22	38
	<u>2,554</u>	<u>4,504</u>

## 8. INCOME TAX (CREDIT)/EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Underprovision in prior year	–	576
Deferred tax	(715)	(137)
	<u>(715)</u>	<u>439</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year (2020: Nil).

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%.

PRC Enterprise Income Tax has been provided at a rate of 25% (2020: 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 and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss before tax	<u>(53,888)</u>	<u>(135,670)</u>
Tax at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	<b>(8,891)</b>	(22,386)
Tax effect of income that is not taxable	<b>(4,376)</b>	(1,607)
Tax effect of expenses that are not deductible	<b>12,420</b>	22,265
Tax effect of tax losses not recognised	<b>2,895</b>	3,877
Tax effect of other temporary differences not recognised	<b>(845)</b>	(408)
Tax effect of utilisation of tax losses not previously recognised	<b>(179)</b>	–
Effect of different tax rates of subsidiaries	<b>(1,739)</b>	(1,878)
Underprovision in prior year	<u>–</u>	<u>576</u>
Income tax (credit)/expense	<u><b>(715)</b></u>	<u>439</u>

## 9. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u>(44,535)</u>	<u>(128,591)</u>
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic and diluted loss per share calculation	<u>1,405,854,316</u>	<u>1,434,450,213</u>

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

For the year ended 30 June 2020, 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 December 2019 and February 2020.

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 2021 and 2020.

## 10. DIVIDEND

No dividend was paid or proposed by the Group during the year ended 30 June 2021 (2020: 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 2019	205,000	11,858	8,748	1,679	227,285
Arising on business combination	–	–	159	–	159
Additions	–	–	1,068	–	1,068
Write off	–	–	(322)	–	(322)
Exchange differences	–	–	(75)	–	(75)
At 30 June 2020 and 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	244,000	11,858	10,210	1,679	267,747
<b>Accumulated depreciation and impairment</b>					
At 1 July 2019	9,965	3,908	7,890	362	22,125
Charge for the year	4,271	1,779	522	252	6,824
Write off	–	–	(84)	–	(84)
Exchange differences	–	–	(12)	–	(12)
At 30 June 2020 and 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	18,950	7,466	8,911	866	36,193
<b>Carrying amount</b>					
<b>At 30 June 2021</b>	<b>225,050</b>	<b>4,392</b>	<b>1,299</b>	<b>813</b>	<b>231,554</b>
At 30 June 2020	190,764	6,171	1,262	1,065	199,262

At 30 June 2021, the carrying amount of leasehold land and buildings pledged as security for the Group's bank loans amounted to HK\$186,493,000 (2020: HK\$190,764,000).

## 12. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	1,619	1,730
Other receivables	1,509	1,331
Deposits	1,095	1,496
Prepayments	771	383
	<u>4,994</u>	<u>4,940</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 90 days	1,619	1,543
181 – 365 days	–	187
	<u>1,619</u>	<u>1,730</u>

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

### 13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	747	926
Accruals	7,179	6,774
Rental deposits received	3,969	3,943
Other payables	<u>2,068</u>	<u>4,200</u>
	<u><b>13,963</b></u>	<u><b>15,843</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 90 days	<u><b>747</b></u>	<u><b>926</b></u>

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

## **DIVIDEND**

The Directors of the Company do not recommend the payment of a final dividend (2020: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the forthcoming annual general meeting to be held on Thursday, 9 December 2021, the register of members of the Company will be closed from Monday, 6 December 2021 to Thursday, 9 December 2021 (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 Friday, 3 December 2021.

## **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\$53 million as compared to a loss of approximately HK\$136 million for the corresponding period in 2020. Such decrease in loss is mainly due to fair value gains on the Group's investment properties of approximately HK\$10 million in 2021 as compared to fair value losses on investment properties of approximately HK\$65 million for the corresponding period in 2020.

### **Properties investment**

Turnover of the Group for the year ended 30 June 2021 comprising rental income from its investment properties amounted to approximately HK\$8 million (2020: 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 effect and restrictions on the world economy, 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 divisions of the Group now comprises six operations in five countries employing about 90 research and development engineers. To date, the Group working together with the Finnish Funding Agency for Technology and Innovation, have invested around HK\$140 million and further substantial investment is anticipated in the coming years. One of our technology division in Finland has generated revenue of approximately HK\$11 million in the current year but not as much as expected due to the setbacks from the COVID-19 pandemic. It is expected that sales of a number of technological products or systems developed by the Group will continue or will commence soon and we are aiming that by the calendar year 2026, our technology division will generate a revenue of US\$100 million.

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

Pexray Oy – 83.4% 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. The total sales for the year ended 30 June 2021 was approximately HK\$11 million. The major products are focusing on portable x-ray devices intended for security and non-destructive testing (NDT) applications as follows:

- Scanning panel product line for security applications:

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

- Flat panel product for industrial NDT application:

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

Dynim Oy – 70% held, based in Oulu, Finland is developing high dynamic range video cameras and artificial intelligences processors for machine vision applications in devices to improve driver situational awareness and security cameras. The major products are rugged stereo camera and camera for 3D sensing and surveillance.

- Rugged stereo camera is for heavy duty industrial applications. This camera has been in development for 12 months and it is based on state-of-art application processor from NXP Semiconductors. The camera will provide depth sensing capability through stereo vision. Further sensor fusion applications will be enabled utilizing embedded IMU and GNSS receiver. First articles (2pcs) were delivered for pilot customer in mining industry evaluation in May 2021. Another 6pcs will be delivered in October 2021. This is pilot release with limited features. Full commercial release has been delayed due to completing development of remaining critical product features has taken longer than expected. Current estimate for first commercial release is in 4th quarter 2021.
- Camera for 3D sensing and surveillance is based on same hardware platform and development investment made for Rugged stereo camera. 3D surveillance camera has additional LiDAR or ToF sensor to provide depth information in addition to single RGB camera. 3D surveillance camera will provide contextual awareness in many applications in traffic monitoring, transportation, residential, retail. Main development focus is still in the first stereo camera product and 3D surveillance product has been put on hold. Thus, this development project has not been started. 2D LiDAR is being considered as an expansion to the basic stereo camera in specific applications. Possible project will be planned in 4th quarter 2021 and started first quarter 2022 earliest with the resources available from stereo camera development.

Navigs Oy – 78.3% 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 and IPESSA Tiny.

- 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, and piloting with chosen customers ongoing. Volume production is expected to start in early 2022.

Imagica Technology Inc. – 65.76% 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:

- C576: Linear array image sensor for CIS (Contact Image sensor) applications

Wafers are processed in California. These devices are used in bill readers, document scanners and industrial imaging of web like materials. We currently have a device in fabrication that is a revision to improve performance for certain customers. This will then become several products that serve different market segments. We will have first customer shipments in 3rd quarter 2021 that will be going into customer modules for multi-function peripherals, we will also have our own module for machine vision applications assembled in Taiwan.

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

Wafers are processed in Japan, China, and California U.S.A. These devices are used in security and machine vision applications and higher performance imaging areas. Process adaptation to Japanese foundry is mostly complete. CMOS readout wafers will go to fabrication in 3rd quarter 2021. First articles will be available in mid of 4th quarter 2021 to first Quarter 2022 with first customer shipments starting soon after. This is a platform for subsequent improvements in processing and each SKU will be retained and sold at separate products. An example is that the first devices will be black and white and that will be followed by improvements in dark performance and then color filters and more to follow. Preliminary results from early processing and testing indicate as industry setting performance level will be achievable in 2022.

Next Level A.1. Solution, LLC – 100% held, based in California, the United States of America. Next Level is engaged in the development of ambient display solutions and advanced algorithm and software solutions for use, for example, in advanced driver assistance systems by identifying hazards in poor visibility, collision warning systems and driver awareness systems and for advanced traffic monitoring and control systems.

The main product line will be a visual navigational system with 2 cameras. The system includes both software and hardware solutions.

- Software:

Visual Inertial Odometry Next Level is currently developing algorithms using Nvidia Jetson SOM. OpenSource Algorithms has already been successfully developed and is currently rewriting, developing and optimizing new algorithms for more commercially viability. Verification of algorithms on Nvidia Jetson was not successful as the Jetson proved to be too rigid in hardware architecture to afford the resources needed to process the developed algorithms.

Instead, the team has decided to focus solely on FPGA development and implementation of the algorithms as it provides more flexibility and can be scaled into a commercial production product later.

We are anticipating the prototype to be ready by the end of spring 2022.

– Hardware:

The original camera system that was being prototyped ended up being too costly and not a feasible commercial product. It was decided to overhaul the design and use a more cost effective but flexible solution.

The development has shifted towards a camera based on FPGA platform.

The single FPGA camera is to be ready for production in the second half of 2022.

Commercial product to be ready for launch second half of 2022.

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

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

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

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

As at 30 June 2021, net current assets of the Group were approximately HK\$5 million. The current ratio, current assets divided by current liabilities, was 1.03. The bank balances and cash were approximately HK\$142 million.

As at 30 June 2021, the Group has outstanding liabilities of approximately HK\$189 million comprising (i) trade and other payables of approximately HK\$14 million, (ii) amounts due to related parties of approximately HK\$25 million, (iii) secured bank borrowings of approximately HK\$99 million, (iv) convertible notes of approximately HK\$25 million and other borrowings and liabilities of approximately HK\$26 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 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\$186 million and a deposit placed for a life insurance policy of approximately HK\$20 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 18.92%.

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

During the year ended 30 June 2021, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2021, the Group had no material investment.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed total of 100 employees. They were remunerated according to market conditions.

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

## PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 30 June 2021, the Company repurchased 4,215,000 shares of its own ordinary shares through Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) at a total consideration of approximately HK\$0.7 million (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) <i>HK\$000</i>
		paid per share <i>HK\$</i>	paid per share <i>HK\$</i>	
July 2020	2,545,000	0.184	0.150	453
May 2021	1,670,000	0.120	0.116	200

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 2021.

## **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 2021, 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, 28 September 2021

*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.*