

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

PALADIN LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 495)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2023

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 2023 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 2023

| | <i>Note</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Revenue | <i>3</i> | 18,386 | 28,783 |
| Cost of sales and service | | <u>(8,293)</u> | <u>(17,877)</u> |
| Gross profit | | 10,093 | 10,906 |
| Other income | <i>5</i> | 404 | 444 |
| Other gains and losses | <i>6</i> | 4,782 | (31,808) |
| Administrative and other operating expenses | | <u>(52,846)</u> | <u>(66,772)</u> |
| Loss from operations | | (37,567) | (87,230) |
| Finance costs | <i>7</i> | <u>(4,180)</u> | <u>(2,144)</u> |
| Loss before tax | | (41,747) | (89,374) |
| Income tax expense | <i>8</i> | <u>(17)</u> | <u>(92)</u> |
| Loss for the year | | <u>(41,764)</u> | <u>(89,466)</u> |

| | 2023 | 2022 |
|---|------------------------|------------------------|
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other comprehensive income: | | |
| <i>Item that may be reclassified to profit or loss:</i> | | |
| Exchange differences on translating foreign operations | <u>(405)</u> | <u>890</u> |
| Other comprehensive income for the year, net of tax | <u>(405)</u> | <u>890</u> |
| Total comprehensive income for the year | <u>(42,169)</u> | <u>(88,576)</u> |
| Loss for the year attributable to: | | |
| Owners of the Company | (37,221) | (81,849) |
| Non-controlling interests | <u>(4,543)</u> | <u>(7,617)</u> |
| | <u>(41,764)</u> | <u>(89,466)</u> |
| Total comprehensive income for the year attributable to: | | |
| Owners of the Company | (37,216) | (81,292) |
| Non-controlling interests | <u>(4,953)</u> | <u>(7,284)</u> |
| | <u>(42,169)</u> | <u>(88,576)</u> |
| Loss per share | | |
| | 9 | |
| Basic (<i>HK cents per share</i>) | <u>(2.66)</u> | <u>(5.84)</u> |
| Diluted (<i>HK cents per share</i>) | <u>(3.08)</u> | <u>(5.84)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

| | <i>Note</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Investment properties | | 518,000 | 527,400 |
| Property, plant and equipment | <i>11</i> | 216,935 | 224,047 |
| Right-of-use assets | | – | 496 |
| Goodwill | | – | – |
| Other intangible assets | | – | – |
| Financial assets at fair value through profit or loss (“FVTPL”) | | 36,518 | 34,709 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 771,453 | 786,652 |
| Current assets | | | |
| Inventories | | 4,708 | 4,725 |
| Trade and other receivables | <i>12</i> | 5,055 | 5,666 |
| Bank and cash balances | | 44,709 | 86,673 |
| | | <hr/> | <hr/> |
| Total current assets | | 54,472 | 97,064 |
| Current liabilities | | | |
| Trade and other payables | <i>13</i> | 14,330 | 13,451 |
| Contract liabilities | | 31 | 52 |
| Due to related parties | | 17,051 | 19,849 |
| Secured bank borrowings | | 81,209 | 83,230 |
| Convertible notes | | 11,110 | 22,987 |
| Other borrowings | | – | 4,982 |
| Lease liabilities | | – | 651 |
| Current tax liabilities | | 75 | 92 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 123,806 | 145,294 |
| Net current liabilities | | (69,334) | (48,230) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 702,119 | 738,422 |

| | 2023 | 2022 |
|--|------------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current liabilities | | |
| Other borrowings | <u>22,843</u> | <u>16,977</u> |
| NET ASSETS | <u>679,276</u> | <u>721,445</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 14,014 | 14,014 |
| Reserves | <u>696,918</u> | <u>735,063</u> |
| Equity attributable to owners of the Company | 710,932 | 749,077 |
| Non-controlling interests | <u>(31,656)</u> | <u>(27,632)</u> |
| TOTAL EQUITY | <u>679,276</u> | <u>721,445</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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\$41,764,000 during the year ended 30 June 2023 and, as of that date, the Group had net current liabilities of approximately HK\$69,334,000. 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 liabilities in the normal course of business.

The directors of the Company have estimated the Group’s cash requirements by preparing a Group cashflow forecast for the 18 months ending 31 December 2024. The directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for 18 months ending 31 December 2024.

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 by taking into consideration the measures which include, but not limited to, the following:

- (i) The mortgage loans of approximately HK\$81,209,000 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;
- (ii) Gold Seal Holdings Limited, a shareholder of the Company, has agreed not to demand for repayment of the balance of approximately HK\$16,313,000 due from the Group as at 30 June 2023 until it is in a financial position to do so;
- (iii) The management intended to pledge the investment properties with fair value of approximately HK\$279,100,000 as collaterals, if necessary, to borrow funds to provide financial support to the Group; and
- (iv) The Group has implemented and will continue to implement various strategies to enhance the Group's revenue and profitability including adopting a series of measures to control costs.

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. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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 standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 July 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 – Definition of Accounting Estimates | 1 January 2023 |
| Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | 1 January 2023 |
| Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to HKAS 1 – Non-current Liabilities with Covenants | 1 January 2024 |
| Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024 |
| Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined by the HKICPA |

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 been concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Revenue from contracts with customers | | |
| – recognised at a point in time | | |
| Sales of goods | 11,007 | 20,102 |
| Revenue from other sources | | |
| Rental income | <u>7,379</u> | <u>8,681</u> |
| | <u>18,386</u> | <u>28,783</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:

| | Property investment <i>HK\$'000</i> | Research and development <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|----------------------------------|
| Year ended 30 June 2023: | | | |
| Revenue from external customers | <u>7,379</u> | <u>11,007</u> | <u>18,386</u> |
| Segment loss | <u>(15,093)</u> | <u>(27,319)</u> | (42,412) |
| Unallocated expenses | | | (13,389) |
| Unallocated income | | | <u>14,054</u> |
| Consolidated loss before tax | | | <u>(41,747)</u> |
| Interest expense | 3,860 | 320 | 4,180 |
| Depreciation and amortisation | 6,908 | 972 | 7,880 |
| Other material non-cash items: | | | |
| Fair value losses on investment properties | 9,400 | – | 9,400 |

| | Property investment <i>HK\$'000</i> | Research and development <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|--------------------------|
| 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> | (82,259) |
| 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 |

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:

| | 2023 | 2022 |
|---|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total loss of reportable segments | (42,412) | (82,259) |
| Unallocated amounts: | | |
| Other income | 352 | 85 |
| Other gains and losses | 13,702 | 3,671 |
| Administrative and other operating expenses | (13,389) | (10,871) |
| Consolidated loss before tax | <u>(41,747)</u> | <u>(89,374)</u> |

Geographical information:

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

| | Revenue | |
|--------------------|------------------------|-----------------|
| | 2023 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 7,379 | 8,681 |
| Finland | 10,330 | 20,102 |
| Others | 677 | – |
| Consolidated total | <u>18,386</u> | <u>28,783</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:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Property investment segment | | |
| Customer a | 7,379 | 8,681 |
| Research and development segment | | |
| Customer b | 2,682 | – |
| Customer c | 1,564 | – |
| Customer d | – | 13,162 |
| | <u> </u> | <u> </u> |

5. OTHER INCOME

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Government grants received (<i>Note</i>) | 277 | 412 |
| Bank interest income | 106 | 10 |
| Others | 21 | 22 |
| | <u> </u> | <u> </u> |
| | <u>404</u> | <u>444</u> |

Note: During the year, the Group recognised government grants of approximately HK\$277,000 (2022: HK\$412,000) in respect of COVID-19 related subsidies, of which approximately HK\$128,000 (2022: HK\$64,000) relates to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. Government grants of approximately HK\$149,000 (2022: HK\$Nil) and HK\$Nil (2022: HK\$348,000) mainly represented immediate financial support granted by the local government to certain subsidiaries operating in 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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Fair value losses on investment properties | (9,400) | (35,400) |
| Fair value gains on financial assets at FVTPL | 1,809 | 1,383 |
| Fair value gains on convertible notes | 11,877 | 2,299 |
| Gain on disposal of property, plant and equipment | 1 | 24 |
| Net foreign exchange gains/(losses) | 495 | (114) |
| | <u>4,782</u> | <u>(31,808)</u> |

7. FINANCE COSTS

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Interest expense on lease liabilities | 55 | 208 |
| Interest on bank borrowings | 3,859 | 1,673 |
| Interest on other borrowings | 259 | 242 |
| Interest on bank overdrafts | 7 | 21 |
| | <u>4,180</u> | <u>2,144</u> |

8. INCOME TAX EXPENSE

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | 13 | 92 |
| Underprovision in prior year | 4 | – |
| | <u>17</u> | <u>92</u> |

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the qualifying Group entity established in Hong Kong will be taxed at 8.25% (2022: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2022: 16.5%). The profits of the Group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% (2022: 16.5%).

The People's Republic of China Enterprise Income Tax has been provided at a rate of 25% (2022: 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:

| | 2023 | 2022 |
|---|--------------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Loss before tax | <u>(41,747)</u> | <u>(89,374)</u> |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%) | (6,888) | (14,747) |
| Tax effect of income that is not taxable | (2,472) | (1,098) |
| Tax effect of expenses that are not deductible | 7,403 | 13,029 |
| Tax effect of tax losses not recognised | 3,265 | 5,059 |
| Tax effect of other temporary differences not recognised | (429) | (185) |
| Tax effect of utilisation of tax losses not previously recognised | – | (107) |
| Underprovision in prior year | 4 | – |
| Effect of different tax rates of subsidiaries | (847) | (1,757) |
| Tax effect of two-tiered Profits Tax regime | <u>(19)</u> | <u>(102)</u> |
| Income tax expense | <u>17</u> | <u>92</u> |

9. LOSS PER SHARE

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-----------------------------|-----------------------------|
| Loss | | |
| Loss for the purpose of calculating basic loss per share | (37,221) | (81,849) |
| Fair value gains on convertible notes | <u>(11,877)</u> | <u>–</u> |
| Loss for the purpose of calculating diluted loss per share | <u><u>(49,098)</u></u> | <u><u>(81,849)</u></u> |
| | 2023 | 2022 |
| Number of shares | | |
| Weighted average number of ordinary shares used in basic loss per share calculation | 1,401,437,549 | 1,401,746,590 |
| Effect of dilutive potential ordinary shares arising from 2017 Convertible Notes outstanding | <u>191,557,498</u> | <u>–</u> |
| Weighted average number of ordinary shares used in diluted loss per share calculation | <u><u>1,592,995,047</u></u> | <u><u>1,401,746,590</u></u> |

The conversion of the Company's outstanding 2014 Convertible Notes would be anti-dilutive during the year ended 30 June 2023. The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those share options were higher than the average market price for shares for the year ended 30 June 2023.

The conversion of the Company's outstanding convertible notes would be anti-dilutive during the year ended 30 June 2022. The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those share options were higher than the average market price for shares for the year ended 30 June 2022. Diluted loss per share was the same as the basic loss per share for the year ended 30 June 2022.

10. DIVIDEND

No dividend was paid or proposed by the Company during the year ended 30 June 2023 (2022: 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> |
|--|---|--|--|--------------------------------------|--------------------------|
| Cost | | | | | |
| At 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 and 1 July 2022 | 244,000 | 11,858 | 10,271 | 1,679 | 267,808 |
| Additions | – | – | 624 | – | 624 |
| Disposal | – | – | (24) | – | (24) |
| Exchange differences | – | – | (116) | – | (116) |
| At 30 June 2023 | 244,000 | 11,858 | 10,755 | 1,679 | 268,292 |
| Accumulated depreciation and impairment | | | | | |
| At 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 and 1 July 2022 | 24,107 | 9,245 | 9,291 | 1,118 | 43,761 |
| Charge for the year | 5,157 | 1,751 | 488 | 232 | 7,628 |
| Disposal | – | – | (1) | – | (1) |
| Exchange differences | – | – | (31) | – | (31) |
| At 30 June 2023 | 29,264 | 10,996 | 9,747 | 1,350 | 51,357 |
| Carrying amount | | | | | |
| At 30 June 2023 | 214,736 | 862 | 1,008 | 329 | 216,935 |
| At 30 June 2022 | 219,893 | 2,613 | 980 | 561 | 224,047 |

At 30 June 2023, the carrying amount of leasehold land and buildings pledged as security for the Group's bank loans amounted to HK\$177,951,000 (2022: HK\$182,222,000).

12. TRADE AND OTHER RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | 1,887 | 1,621 |
| Other receivables | 1,862 | 2,231 |
| Deposits | 948 | 1,137 |
| Prepayments | 358 | 677 |
| | <u>5,055</u> | <u>5,666</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:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| 0 – 90 days | 1,134 | 1,436 |
| 91 – 180 days | 311 | 185 |
| 181 – 365 days | 442 | – |
| | <u>1,887</u> | <u>1,621</u> |

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

13. TRADE AND OTHER PAYABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Trade payables | 757 | 609 |
| Accruals | 6,588 | 6,614 |
| Rental deposits received | 3,969 | 3,969 |
| Other payables | <u>3,016</u> | <u>2,259</u> |
| | <u>14,330</u> | <u>13,451</u> |

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

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------|-------------------------|-------------------------|
| 0 – 90 days | <u>757</u> | <u>609</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 2023 which has included an emphasis of matter paragraph for material uncertainty in relation to going concern, but without modification of 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 2023, 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\$41,764,000 during the year ended 30 June 2023 and, as of that date, the Group had net current liabilities of approximately HK\$69,334,000. 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 (2022: 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, 7 December 2023, the register of members of the Company will be closed from Monday, 4 December 2023 to Thursday, 7 December 2023 (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, 1 December 2023.

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\$42 million as compared to a loss of approximately HK\$89 million for the corresponding period in 2022. Such decrease in loss is mainly due to fair value losses on the Group's investment properties of approximately HK\$9 million in 2023 as compared to fair value losses on investment properties of approximately HK\$35 million for the corresponding period in 2022.

Properties investment

Turnover of the Group for the year ended 30 June 2023 comprising rental income from its investment properties amounted to approximately HK\$7 million (2022: HK\$9 million).

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

Development of high technology products

As the world continues to open after years of COVID-19's restrictions, the economy did not pick up as we've previously hoped. There are many challenges, and the future is uncertain to say the least. We will continue to watch the economy unfold and how world geopolitics play out carefully. The chips and technology sanctions enacted last year continue to escalate but we are still moving forward and making small progress during the period under review. The Group's development of next generation technology applications involve imaging, surveillance, navigation and advanced semi-conductor processing. The technology division of the Group now comprises five operations in four countries employing about 37 research and development engineers. To date, the Group working together with the Finnish Funding Agency for Technology and Innovation, have invested around HK\$160 million and further substantial investment is anticipated in the coming years. It is expected that as we mature, the 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\$33 million. We are encouraged that governments around the world are encouraging and supporting technological innovations through new policies and grants. We are hopeful for a semi-conductor boom in the coming years.

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

Pexray Oy – a non-wholly owned subsidiary, based in Espoo, Finland is engaged in the development of portable x-ray inspection devices for security and industrial applications. Security business area consists of security and counterintelligence 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 2023 was approximately HK\$10 million.

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

- Scanning panel product line for security applications:

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

- Flat panel product for industrial NDT application:

The first sales of the product was in September 2020. Multiple accessories and SW features have been released 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 is a complimentary product for both Security and NDT markets. The generator is sold as a stand-alone product in NDT market and is one of the company's growth drivers. We expect this to support our sales in fiscal year 2023-2024.

Navigs Oy – a non-wholly owned subsidiary, based in Espoo, Finland. Navigs Oy is at the forefront of R&D in state-of-the-art positioning and image sensing technologies. While these solutions are integral for semi-automated agricultural machinery and advanced driver-assist systems to optimize precision farming, their applications extend far beyond agriculture. They are also engineered to be compatible with a variety of off-highway industrial vehicles and have uses in marine navigation systems. The product portfolio notably includes IPESSA Tiny, IPESSA Nano, IPESSA Yaw Bar, and IPESSA RTK-VINS.

- IPESSA Tiny is a cost-efficient positioning solution ideal for various autonomous applications like precision farming and delivery robots. It operates on a dual-antenna satellite receiver coupled with inertial sensing and is equipped with a global narrowband cellular modem. Prototyping wrapped up in early 2021. Customer pilots faced delays due to chip shortages but were finalized in first half of 2022 across Finland, Europe, and Turkey. Sales for fiscal year 2022-2023 were below projections, but volume production is slated for 2023.

- IPESSA Nano is a compact positioning module, perfect for size-sensitive applications like drones and compact AGVs. It runs on a dual-antenna satellite receiver and an inertial measurement unit (IMU). However, Nano comes with a more limited feature set compared to Tiny. Hardware and mechanical prototypes rolled out in late 2021, but software development encountered delays attributable to resource constraints. While near completion in late 2022, features. Full design completion is targeted for 2023, with mass production kicking off in first half of 2024.
- IPESSA Yaw Bar is a high-end positioning device, fine-tuned for marine use-cases. It features a fiber optic gyroscope (FOG) for top-tier orientation sensing, essential for GNSS-independent North Finding in certain marine scenarios. Like Tiny and Nano, Yaw Bar utilizes similar GNSS receivers and inertial sensors. The IMO (International Maritime Organization) hasn't approved RTK corrections for marine vessels, so the initial market focus is on non-SOLAS ships like fishing boats and utility vessels. Some delays have occurred during the development project. Prototyping is on track for the second half of 2023, and customer pilot tests should extend into early 2024.
- IPESSA RTK-VINS leverages the core tech of both Tiny and Nano, augmented with a visual inertial navigation system (VINS). This hybrid approach enhances positioning accuracy and robustness in GNSS-challenged environments, making it highly applicable for various UGV and AGV contexts. The development project experienced delays as a result of transitioning to a more efficient processing platform. Prototypes and customer pilots are on the agenda for the first half of 2024, with mass production tentatively scheduled for late 2024. The RTK-VINS system is a joint venture with Dynim Oy.

Dynim Oy – a non-wholly owned subsidiary, based in Oulu, Finland is developing high end sensing and navigation products and artificial intelligence software for industrial applications, heavy machinery, and autonomous vehicles. Company's core product in 2022 was rugged stereo camera with versions of different stereo base line for indoor and outdoor applications.

- Rugged stereo camera is for heavy duty industrial applications such as mining and earthmoving machinery. Evaluation testing with pilot customer continues in 2023. Customer had major stakeholder event in September 2022 where Dynim's camera was important part of the announced customer's product.

New development for the industrial stereo camera for 2023 is in customer demo phase with customer's AI application utilizing the edge computing resources in Dynim's camera product.

Component availability challenges caused significant delays in product manufacturing in 2022 thus limiting Dynim's sales activities and customer testing. For 2023 manufacturing Dynim has prepared material stock for one hundred camera units.

- 2023 new product development will be based on Nvidia's embedded computing platforms that will enable more advanced sensor fusion and camera applications. New development projects include single camera GNSS-VIO product, a new type of RTK-VINS stereo + RGB product, a single rotating AI camera, and a cost optimized light weight single AI camera.

Imagica Technology Inc. – a non-wholly owned subsidiary, based in Vancouver, Canada. The company has developed a series of linear array image sensors for spectroscopy and document scanners. It develops sensors for several security and machine vision applications using advanced 3D semiconductor processes.

The company has encountered substantial challenges in attaining profitability due to design and manufacturing delays associated with Covid-19 over the past 3 years. Therefore, it is imperative for the management to conduct a comprehensive assessment of the company's financial stability, the demand for its products in the market, the competitive landscape, and the potential for future growth and profitability.

Given the circumstances, we are currently evaluating whether it would be prudent to allocate additional capital investment into the company.

Skyin Technology Limited – a non-wholly owned subsidiary, based in Shanghai, the PRC. The company has developed various 3D industrial cameras, 3D industrial vision software, and AI-based industrial vision applications. However, the launch of Simpletec 3D industrial camera software and hardware into the market still requires a significant financial investment. Changes in market conditions have led to a pause in the development of our 3D industrial vision products. Over the past three years, the company has encountered substantial challenges in achieving profitability, primarily due to lock downs, travel restrictions, and the declining market condition in China attributed to the COVID-19 pandemic.

Given these circumstances, it is imperative for the management to conduct a thorough evaluation of the company's financial stability, the demand for its products in the market, its competitive positioning, and the potential for future growth and profitability. Consequently, we are currently assessing whether it would be prudent to allocate additional capital investment to the company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, net current liabilities of the Group were approximately HK\$69 million. The current ratio, current assets divided by current liabilities, was 0.44. The bank balances and cash were approximately HK\$45 million.

As at 30 June 2023, the Group has outstanding liabilities of approximately HK\$147 million comprising (i) trade and other payables of approximately HK\$14 million, (ii) amounts due to related parties of approximately HK\$17 million, (iii) secured bank borrowings of approximately HK\$81 million, (iv) convertible notes of approximately HK\$11 million and other borrowings and liabilities of approximately HK\$24 million. Secured bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated in Hong Kong 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\$178 million.

The Group's gearing ratio, total debts divided by total assets, was approximately 17.76%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2023, the Group had no material acquisitions and disposals of subsidiaries.

As at 30 June 2023, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed total of 67 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended 30 June 2023, 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 2023.

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 2023, 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:

- under code provision C.1.6 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 C.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.

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 2023

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.