

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

The Board of Directors (the “Board”) of Paladin Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2023

	<i>Note</i>	Six months ended 31 December	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	10,324	7,954
Cost of sales and service		<u>(4,626)</u>	<u>(3,625)</u>
Gross profit		5,698	4,329
Other income		128	712
Other gains and losses	4	3,857	3,393
Administrative and other operating expenses		<u>(22,543)</u>	<u>(26,640)</u>
Loss from operations		(12,860)	(18,206)
Finance costs	5	<u>(2,778)</u>	<u>(1,845)</u>
Loss before tax		(15,638)	(20,051)
Income tax expense	6	<u>–</u>	<u>–</u>
Loss for the period	7	<u>(15,638)</u>	<u>(20,051)</u>

		Six months ended 31 December	
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,043)	(421)
Release of exchange reserve upon dissolution of subsidiaries		<u>(406)</u>	–
Other comprehensive income for the period, net of tax		<u>(1,449)</u>	<u>(421)</u>
Total comprehensive income for the period		<u><u>(17,087)</u></u>	<u><u>(20,472)</u></u>
Loss for the period attributable to:			
Owners of the Company		(13,480)	(17,429)
Non-controlling interests		<u>(2,158)</u>	<u>(2,622)</u>
		<u><u>(15,638)</u></u>	<u><u>(20,051)</u></u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(14,764)	(17,664)
Non-controlling interests		<u>(2,323)</u>	<u>(2,808)</u>
		<u><u>(17,087)</u></u>	<u><u>(20,472)</u></u>
Loss per share	9		
Basic (<i>HK cents per share</i>)		<u><u>(0.96)</u></u>	<u><u>(1.24)</u></u>
Diluted (<i>HK cents per share</i>)		<u><u>(1.06)</u></u>	<u><u>(1.24)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		31 December 2023	30 June 2023
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		518,000	518,000
Property, plant and equipment		213,371	216,935
Financial assets at fair value through profit or loss ("FVTPL")		<u>36,686</u>	<u>36,518</u>
Total non-current assets		<u>768,057</u>	<u>771,453</u>
Current assets			
Inventories		4,378	4,708
Trade and other receivables	<i>10</i>	5,564	5,055
Current tax recoverable		142	–
Bank and cash balances		<u>26,574</u>	<u>44,709</u>
Total current assets		<u>36,658</u>	<u>54,472</u>
Current liabilities			
Trade and other payables	<i>11</i>	16,823	14,330
Contract liabilities		87	31
Due to related parties		14,410	17,051
Secured bank borrowings		80,454	81,209
Convertible notes		7,662	11,110
Other borrowings		646	–
Current tax liabilities		<u>–</u>	<u>75</u>
Total current liabilities		<u>120,082</u>	<u>123,806</u>
Net current liabilities		<u>(83,424)</u>	<u>(69,334)</u>
Total assets less current liabilities		<u>684,633</u>	<u>702,119</u>

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Non-current liabilities		
Other borrowings	<u>22,444</u>	<u>22,843</u>
NET ASSETS	<u>662,189</u>	<u>679,276</u>
CAPITAL AND RESERVES		
Share capital	14,014	14,014
Reserves	<u>682,154</u>	<u>696,918</u>
Equity attributable to owners of the Company	696,168	710,932
Non-controlling interests	<u>(33,979)</u>	<u>(31,656)</u>
TOTAL EQUITY	<u>662,189</u>	<u>679,276</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These condensed consolidated financial statements should be read in conjunction with the 2023 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2023.

The Group incurred a loss of approximately HK\$15,638,000 during the six months ended 31 December 2023 and, as of that date, the Group had net current liabilities of approximately HK\$83,424,000. 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 condensed 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\$80,454,000 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\$13,799,000 due from the Group as at 31 December 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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2023. They do not have a material effect on the Group's condensed interim consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operations and main revenue streams are those described in the last annual consolidated financial statements. The Group's revenue is derived from contracts with customers.

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, certain other gains and losses and unallocated corporate expenses.

	Property investment HK\$'000 (Unaudited)	Research and development HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months 31 December 2023:			
Revenue from external customers	<u>4,341</u>	<u>5,983</u>	<u>10,324</u>
Segment loss	<u>(2,605)</u>	<u>(11,875)</u>	<u>(14,480)</u>
Unallocated expenses			<u>(4,838)</u>
Unallocated income			<u>3,680</u>
Consolidated loss before tax			<u>(15,638)</u>
	Property investment HK\$'000 (Unaudited)	Research and development HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months 31 December 2022:			
Revenue from external customers	<u>3,690</u>	<u>4,264</u>	<u>7,954</u>
Segment loss	<u>(5,798)</u>	<u>(15,396)</u>	<u>(21,194)</u>
Unallocated expenses			<u>(5,600)</u>
Unallocated income			<u>6,743</u>
Consolidated loss before tax			<u>(20,051)</u>

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:

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Total loss of reportable segments	(14,480)	(21,194)
Unallocated amounts:		
Other income	64	150
Other gains and losses	3,616	6,593
Administrative and other operating expenses	(4,838)	(5,600)
	<u> </u>	<u> </u>
Consolidated loss before tax	<u>(15,638)</u>	<u>(20,051)</u>

Geographical information:

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

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	4,341	3,690
Finland	5,241	4,227
Others	742	37
	<u> </u>	<u> </u>
Consolidated total	<u>10,324</u>	<u>7,954</u>

4. OTHER GAINS AND LOSSES

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Fair value losses on investment properties	–	(3,200)
Fair value gains on financial assets at FVTPL	168	655
Fair value gains on convertible notes	3,448	5,938
Gain on dissolution of subsidiaries	241	–
	<u>3,857</u>	<u>3,393</u>

5. FINANCE COSTS

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	–	47
Interest on bank borrowings	2,724	1,705
Interest on other borrowings	54	87
Interest on bank overdrafts	–	6
	<u>2,778</u>	<u>1,845</u>

6. INCOME TAX EXPENSE

No provision for income tax expense is required since the Group has no assessable profit for the six months ended 31 December 2023 (2022: Nil).

7. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting) the following:

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	(128)	(25)
Cost of inventories sold	3,577	2,581
Direct operating expenses of investment properties that generate rental income	6	2
Direct operating expenses of investment properties that did not generate rental income	1,043	1,042
Depreciation of property, plant and equipment	3,527	3,896
Depreciation of right-of-use assets	–	330
	<u> </u>	<u> </u>

8. DIVIDEND

No dividend was paid or proposed by the Company during the six months ended 31 December 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

	Six months ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of calculating basic loss per share	(13,480)	(17,429)
Fair value gains on convertible notes	<u>(3,448)</u>	<u>–</u>
Loss for the purpose of calculating diluted loss per share	<u>(16,928)</u>	<u>(17,429)</u>

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares used in basic loss per share calculation	1,401,437,549	1,401,437,549
Effect of dilutive potential ordinary shares arising from 2017 Convertible Notes outstanding	191,557,498	–
Weighted average number of ordinary shares used in diluted loss per share calculation	1,592,995,047	1,401,437,549

The conversion of the Company's outstanding 2014 Convertible Notes would be anti-dilutive for the six months ended 31 December 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 six months ended 31 December 2023.

The conversion of the Company's outstanding convertible notes would be anti-dilutive for the six months ended 31 December 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 six months ended 31 December 2022. Diluted loss per share was the same as the basic loss per share for the six months ended 31 December 2022.

10. TRADE AND OTHER RECEIVABLES

	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	2,025	1,887
Other receivables	2,335	1,862
Deposits	901	948
Prepayments	303	358
	5,564	5,055

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

	31 December	30 June
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 90 days	1,497	1,134
91 – 180 days	78	311
181 – 365 days	296	442
Over 365 days	154	–
	<u>2,025</u>	<u>1,887</u>

11. TRADE AND OTHER PAYABLES

	31 December	30 June
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	891	757
Accruals	8,288	6,588
Rental deposits received	3,969	3,969
Other payables	3,675	3,016
	<u>16,823</u>	<u>14,330</u>

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

	31 December	30 June
	2023	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 90 days	<u>891</u>	<u>757</u>

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's turnover increased by approximately 30% to approximately HK\$10 million for the six months ended 31 December 2023 compared to the same period last year, and recorded a loss of approximately HK\$16 million as compared to a loss of approximately HK\$20 million for the corresponding period in 2022.

Properties investment

Rental income of the Group for the six months ended 31 December 2023 generated from its investment properties amounted to approximately HK\$4 million (2022: HK\$4 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 recover after years of restrictions, we note some economies are starting to pick up. However, things are still not quite as we've hoped here in Hong Kong and China. There are still many challenges, and the future is uncertain to say the least as 2024 is a year with elections in many countries. 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 35 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 incentivizing 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 six months ended 31 December 2023 was approximately HK\$5.1 million.

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

– Security product line:

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

– NDT product line:

The first sales was in September 2020. Multiple new products, 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.

Currently NDT sales dominate over security sales. Growth in fiscal year 2023-2024 and 2024-2025 is strongly driven by NDT sales.

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 autonomous, 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 includes IPESSA Tiny, IPESSA Base Station, IPESSA Nano, IPESSA Yaw Bar, and IPESSA RTK-VINS. Owing to presence in select exhibitions, the company has become well-known in the agricultural market, but also in other sectors, such as construction and marine.

- 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 2023-2024 were below projections, but demand is increasing thanks to our marketing efforts.
- IPESSA Base Station is based on IPESSA Tiny but features the capability of providing RTK correction data to moving vehicles (rovers). The RTK correction data is an essential enabler for achieving centimeter-level positioning accuracy. IPESSA Base Station also includes a UHF radio for sending the data to the rovers. The first base station was delivered in December 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 being close to completion, the project has been delayed further due to changes in the organization.
- 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 to be completed during the first half of 2024, and customer pilot tests should start in late 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 2025. The RTK-VINS system is a joint venture with Dynim Oy and Techvico.

Dynim Oy, a non-wholly owned subsidiary, based in Espoo Finland is developing high end sensing and perception products for industrial applications, heavy machinery and autonomous robots. After having undergone a company restructuring towards the end of 2023, at present Dynim is focusing on developing a line of camera products that can seamlessly integrate with the IPESSA series positioning solutions to offer end users a modular approach to Robotic sensing, navigation and perception.

Dynim Oy's 2024 product roadmap centers around the RTK Vins series product line, expected to be co-developed with Kindhelm leveraging resources within the consortium. The product series models are as follows:

- 1) RTK Vins Depth – RTK Vins Depth is a positioning and perception solution for robots that require stereo depth application and accurate positioning. The solution comprises a rugged industrial stereo camera that provides the depth map, RGB and VIO output; a positioning module – the IPESSA Nano; as well as a sensor fusion AI processor – powered by the NVIDIA ORIN series embedded computing platform running proprietary sensor fusion algorithms onboard.

The solution is designed in a modular approach where users may select the sensor configuration to their needs. The stereo camera can be a standalone, plug and play unit; it may also be integrated with the IPESSA Nano and central processor in which the sensor fusion algorithms will augment the RTK GPS data with VIO data to provide a highly accurate and reliable positioning solution for outdoor to indoor navigation.

- 2) RTK Vins AI – RTK Vins AI is a positioning and perception solution for robots that require accurate positioning and AI on the edge. This solution comprises a rugged industrial single camera with a powerful AI processor to run customer AI applications onboard and provides users the VIO output; a positioning module – the IPRESSA Nano; as well as a sensor fusion AI processor – powered by the NVIDIA ORIN series embedded computing platform running proprietary sensor fusion algorithms onboard. Similar to the RTK Vins Depth product, the RTK Vins AI product is designed in a modular approach. This product is suitable for drones, heavy machinery and agriculture robots.
- 3) Vins X – RTK Vins X is a scalable solution that allows users to combine multi camera systems – stereo or mono, into our AI vision platform that fuses and synchronizes data from all cameras to allow the Robotic system to build a 360 view and understanding of its surroundings. The AI Vision platform also runs the multi camera Visual SLAM algorithm to provide accurate, reliable positioning data. This Visual based perception and positioning solution can be integrated with a low cost GPS module to provide a cost effective yet reliable and accurate solution for Outdoor Robotic navigation.
- 4) RTK Vins Lite – RTK Vins Lite is a solution for urban area service robots that need a cost effective, reliable positioning solution. The solution is based on the Quectel SG560 D smart module that has 5G LTE capabilities and integrates a multi constellation GNSS receiver which supports GPS, GLONASS, BDS, NavIC, Galileo, QZSS and SBAS positioning systems to achieve fast and accurate positioning. This solution can run the Visual Positioning Solution on the cloud which can in real time correct the GNSS data to achieve high accuracy in urban areas where GNSS data may be affected at a low cost.

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.

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 31 December 2023, net current liabilities of the Group were approximately HK\$83 million. The current ratio was 0.31. The bank and cash balances were approximately HK\$27 million.

As at 31 December 2023, the Group has outstanding liabilities of approximately HK\$142 million comprising (i) trade and other payables of approximately HK\$17 million, (ii) amounts due to related parties of approximately HK\$14 million, (iii) bank loans of approximately HK\$80 million, (iv) convertible notes of approximately HK\$8 million and (v) other liabilities of approximately HK\$23 million. The 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\$176 million.

The Group's gearing ratio as determined by total debt divided by total assets was approximately 17.71%.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the six months ended 31 December 2023, the Group had no material acquisitions and disposals of subsidiaries except for the dissolution of certain inactive subsidiaries.

As at 31 December 2023, the Group had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of 49 employees. They were remunerated according to market conditions.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liability.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 31 December 2023.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the six months ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares.

AUDIT COMMITTEE

The interim results for the six months ended 31 December 2023 has not been audited by the Group's auditor, but the Audit Committee has reviewed with management the accounting principles and practices adopted by the Company, and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 31 December 2023.

CORPORATE GOVERNANCE

During the period, the Company had complied with the relevant provisions set out in the Corporate Governance Code (the "Code") based on the principles set out in Appendix 14 to the Listing Rules, save for the following:

- under code provision C.1.6 of the Code, independent non-executive directors and other non-executive directors should attend general meeting 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 any new 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 future.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim 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 interim report of the Company will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 27 February 2024

As at the date of this announcement, the board of directors of Paladin Limited comprises:

Oung Shih Hua, James (*Executive director*)
Chan Chi Ho (*Non-executive director*)
Yuen Chi Wah (*Non-executive director*)
Luo Rongxuan (*Independent non-executive director*)
Liu Man Kin Dickson (*Independent non-executive director*)
Au Chik Lam Alexander (*Independent non-executive director*)