PALADIN LIMITED

(incorporated in Bermuda with limited liability)
Stock Code : 495 and 642 (Preference Shares)

ANNUAL REPORT OF
A SUBSIDIARY –
SENSORS INTEGRATION TECHNOLOGY LIMITED

2009

Contents

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activity of the Company is the research and development of high technology systems and applications.

BUSINESS REVIEW AND PROSPECT

The Company has planned to conduct research and development of digital camera, camcorder, surveillance, video capturing and processing technology. The plan is in early stage and did not generate any revenue to the Company at this stage.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2009, net current liabilities of the Company were approximately HK$21 million. The current ratio was 0.67. The bank balances were approximately HK$42 million.

As at 30 June 2009, the major outstanding liabilities of the Company was amount due to immediately holding company of approximately HK$63 million and other payables and accruals of approximately 1 million.

The majority of the Company'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 Company has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Directors consider that it is not meaningful to publish a gearing ratio of the Company until such time the Company is in a positive shareholders' equity position.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 30 June 2009, the Company had no material acquisitions and disposals of subsidiaries.

As at 30 June 2009, the Company had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2009, the Company employed total of 101 employees. They were remunerated according to market conditions.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2008: nil).

ACKNOWLEDGEMENT

On behalf of my fellow directors, I wish to thank all staff and employees for their diligence and loyal support during the year under review.

By order of the Board
Chen Te Kuang Mike
DIRECTOR

Hong Kong, 23 October 2009

DIRECTORS

Mr. Oung Da Ming, aged 52, joined the Company in 2007. Previously he was the chairman between 1985 and 1989 of The E-Hsin International Corporation, a company headquartered in Taiwan engaged in manufacturing and export. In 1991, Mr. Oung became the president of Hualon Microelectronics Corporation until 2004. He became its chairman in 1995 and continues to hold this position. Hualon Microelectronics Corporation which is headquartered in Taiwan was established to engage in integrated circuit ("IC") design, wafer fabrication and the research and development of IC products. In 2001 it disposed of its wafer foundry and has concentrated its activities on fabless wafer design and the research, development and trading in IC related products. Since 2000 Mr. Oung has also been actively developing a technology capability in Russia including establishing Optolink in 2001. Mr. Oung is the uncle of Mr. Mike Chen.

Mr. Chen Te Kuang Mike, aged 31, joined the Company in 2007. He has more than 7 years' management and production experience in electronics industry.

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 30 June 2009.

PRINCIPAL ACTIVITY

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 14 to the consolidated financial statements. During the year under review, there was no significant change in the Group's principal activities.

RESULTS

The results of the Group for the year ended 30 June 2009 are set out in the consolidated income statement on page 10.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 10 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year, and up to the date of this report were:

Oung Da Ming
Chen Te Kuang Mike

In accordance with Articles 7 of the Company's Articles of Association, both directors retire, being eligible, offer themselves for re-election.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Chen Te Kuang, Mike
DIRECTOR

23 October 2009

Deloitte.
德勤

TO THE DIRECTORS OF SENSORS INTEGRATION TECHNOLOGY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sensors Integration Technology Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 7 to 28, which comprise the consolidated balance sheet as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. All duties and liabilities (including without limitation, those arising from negligence) to any third party are specifically disclaimed. Accordingly, any other person who relies on this report does so entirely at their own risk. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 30 June 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Specific disclaimer

You have informed us that it is your intention to make available a copy of this report to the holders of convertible redeemable preference shares issued by Paladin Limited. For the avoidance of doubt, all duties and liabilities (including, without limitation, those arising from negligence or otherwise) to the holders of convertible redeemable preference shares issued by Paladin Limited are specifically disclaimed.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2009

Consolidated Income Statement

For the year ended 30 June 2009

	Notes	**2009** **HK$**	2008 *HK$*
Other income		**2,333,403**	9,375
Research and development expenses		**(12,075,998)**	–
Administrative expenses		**(10,998,216)**	(55,563)
Loss before taxation		**(20,740,811)**	(46,188)
Taxation charge	7	**(490,301)**	–
Loss for the year	8	**(21,231,112)**	(46,188)

Consolidated balance sheet

At 30 June 2009

	Notes	**2009**	2008
		HK$	*HK$*
Non-current assets			
Property, plant and equipment	10	**762,208**	–
Current assets			
Other receivables and prepayments		**419,430**	–
Bank balances and cash		**42,271,918**	54,656,859
		42,691,348	54,656,859
Current liabilities			
Other payables and accruals		**1,094,240**	53,873
Amount due to immediate holding company	11	**62,525,579**	–
Amount due to a director of fellow subsidiaries	12	**–**	52,065,107
		63,619,819	52,118,980
Net current (liabilities) assets		**(20,928,471)**	2,537,879
Net (liabilities) assets		**(20,166,263)**	2,537,879
Capital and reserves			
Share capital	13	**2,597,634**	2,597,634
Reserves		**(22,763,897)**	(59,755)
(Deficiency) balance of shareholder's fund		**(20,166,263)**	2,537,879

The financial statements on pages 7 to 28 were approved and authorised for issue by the Board of Directors on 23 October 2009.

Chen Te Kuang Mike
DIRECTOR

Oung Da Ming
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2009

	Share capital *HK$*	Translation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 July 2007	1	–	(13,567)	(13,566)
Issue of shares	2,597,633	–	–	2,597,633
Loss for the year	–	–	(46,188)	(46,188)
At 30 June 2008	2,597,634	–	(59,755)	2,537,879
Loss for the year	–	–	(21,231,112)	(21,231,112)
Exchange differences arising on translation of foreign operations	–	(1,473,030)	–	(1,473,030)
At 30 June 2009	2,597,634	(1,473,030)	(21,290,867)	(20,116,263)

Consolidated Cash Flow Statement

For the year ended 30 June 2009

	2009	2008
	HK$	*HK$*
Operating activities		
Loss before taxation	**(20,740,811)**	(46,188)
Adjustment for:		
Depreciation	**60,910**	–
Interest income	**(301,203)**	(9,375)
Operating cash flows before movements in working capital	**(20,981,104)**	(55,563)
Increase in other receivables and prepayments	**(453,292)**	–
Increase in other payables and accruals	**1,111,950**	53,873
Decrease in amounts due to fellow subsidiaries	**–**	(33,600)
Cash (used in) from operations	**(20,322,446)**	35,290
Tax paid	**(490,301)**	–
Effect of foreign exchange rate change	**(1,273,577)**	–
Net cash used in operating activities	**(22,086,324)**	(35,290)
Investing activities		
Interest received	**301,203**	9,375
Purchase of property, plant and equipment	**(886,892)**	–
Net cash (used in) from investing activities	**(585,689)**	9,375
Financing activities		
Advance from immediate holding company	**62,525,579**	–
(Repayment to) advance from a director of fellow subsidiaries	**(52,065,107)**	52,065,107
Proceeds from issue of new shares	**–**	2,597,633
Net cash from financing activities	**10,460,472**	54,662,740
Net (decrease) increase in cash and cash equivalents	**(12,211,541)**	54,636,825
Cash and cash equivalents at beginning of the year	**54,656,859**	20,034
Effect of foreign exchange rate changes	**(173,400)**	–
Cash and cash equivalents at end of the year, representing bank balances and cash	**42,271,918**	54,656,859

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its ultimate holding company is Paladin Limited ("Paladin"), a company which was incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and the principal place of business of the Company is Room 4501, 45th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD") which is the same as the functional currency of the Company.

The Company is an investment holding company. Its principal subsidiaries are engaged in scientific research.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 30 June 2009 have been prepared solely for the information of the Company's management, to ascertain the results for the year.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company in light of the net liabilities of approximately HK$20,166,000 as at 30 June 2009 and a loss of approximately HK$21,231,000 for the year then ended. Paladin has agreed to provide adequate funds for the Company to meet in full its financial obligations as they fall due for the foreseeable future. However, Paladin is currently dependent upon the financial support of its bankers and other lenders. Taking into account the estimated proceeds from the sale of developed properties, the directors of Paladin are of the opinion that, with the continuous financial support of its bankers and other lenders, Paladin will be able to provide financial support to the Group and accordingly the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("INTs") (collectively "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 July 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 (Amendment)	Classification of Rights Issues [9]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters [5]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [5]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives [6]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Cont'd)

HK(IFRIC) – INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [4]
HK(IFRIC) – INT 18	Transfers of assets from customers [8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2009.
[4] Effective for annual periods beginning on or after 1 July 2009.
[5] Effective for annual periods beginning on or after 1 January 2010.
[6] Effective for annual periods ending on or after 30 June 2009.
[7] Effective for annual periods beginning on or after 1 October 2008.
[8] Effective for transfers on or after 1 July 2009.
[9] Effective for annual periods beginning on or after 1 February 2010.

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments and INTs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and development expenditure (Cont'd)

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the initial carrying amount of the assets.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instrument are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including other payables, amount due to immediate holding company and amount due to a director of fellow subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of amounts due to ultimate holding company and equity attributable to equity holders of the Company, comprising issued share capital and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company reviews the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through new share issues as well as issue of new debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	2008
	HK$	*HK$*
Financial assets		
Loans and receivables		
Bank balances	**42,271,918**	54,656,859
Financial liabilities		
Amortised cost		
Other payables	**997,480**	23,873
Amount due to immediate holding company	**62,525,579**	–
Amount due to a director of fellow subsidiaries	**–**	52,065,107
	63,523,059	52,088,980

Financial risk management objectives and policies

The Group's major financial instruments include bank balances, other payables, amount due to immediate holding company and amount due to a director of fellow subsidiares. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate the risk are set out below. Management manages and monitors the exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior period.

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	2009	2008
	HK$	*HK$*
Assets		
United States Dollars ("USD")	**135,390**	–
Liabilities		
USD	**(62,525,579)**	–

The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency risk should the need arise.

The Group is mainly exposed to the foreign currency risk on USD. As HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and therefore no sensitivity analysis has been prepared.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider that the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk

The Group relies on financial support from Paladin which has agreed to provide adequate funds for the Group as a significant source of liquidity.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed by the management to finance the Company's operations and mitigate the effects of the fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest rate table

	Weighted average interest rate	On demand	Less than 3 months	Total undiscounted cash flows and carrying amounts
	%	*HK$*	*HK$*	*HK$*
At 30 June 2009				
Non-derivative financial liabilities				
Other payables	N/A	–	997,480	997,480
Amount due to immediate holding company	N/A	62,525,579	–	62,525,579
		62,525,579	997,480	63,523,059
At 30 June 2008				
Non-derivative financial liabilities				
Other payables	N/A	–	23,873	23,873
Amount due to a director of fellow subsidiaries	N/A	52,065,107	–	52,065,107
		52,065,107	23,873	52,088,980

6. FINANCIAL INSTRUMENTS (Cont'd)

Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of all financial assets and financial liabilities recorded at amortised cost at the respective balance sheet dates approximate their fair values.

7. TAXATION

The charge comprises:

	2009	2008
	HK$	*HK$*
Current tax:		
Other jurisdictions	**490,301**	–

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the proposed reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008/2009.

No provision for Hong Kong Profits Tax has been made in both years in the consolidated financial statements as the Group has no assessable profit in both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. TAXATION (Cont'd)

Taxation for the year can be reconciled to loss before taxation per the consolidated income statement as follows:

	2009	2008
	HK$	*HK$*
Loss before taxation	**(20,740,811)**	(46,188)
Tax charge at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**(3,422,234)**	(7,621)
Tax effect of expenses not deductible for tax purposes	**3,852,677**	–
Tax effect of tax loss not recognised	**–**	7,621
Tax effect of different tax rates of subsidiaries operating in other jurisdiction	**(920,744)**	–
Taxation for the year	**(490,301)**	–

No deferred tax asset in respect of tax losses has been recognised due to the unpredictability of future profit streams.

8. LOSS FOR THE YEAR

	2009	2008
	HK$	*HK$*
Loss for the year has been arrived at after charging:		
Directors' remuneration (note 9)	**–**	–
Other staff costs	**6,451,992**	–
Contribution to retirement benefit scheme	**186,156**	–
	6,638,148	–
Auditor's remuneration	**70,000**	30,000
Depreciation	**60,910**	–
and after crediting:		
Interest income	**301,203**	9,375

9. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors are as follows:

The emoluments paid or payable to each of the two (2008: two) directors were as follows:

		2009	
	Oung Da Ming	**Chen Te Kuang Mike**	**Total**
	HK$	***HK$***	***HK$***
Directors' fees	**–**	**–**	**–**
Other emoluments:			
Salaries and other benefits	**–**	**–**	**–**
Retirement benefit scheme contributions	**–**	**–**	**–**
	–	**–**	**–**
Total	**–**	**–**	**–**

		2008	
	Oung Da Ming	Chen Te Kuang Mike	Total
	HK$	*HK$*	*HK$*
Directors' fees	–	–	–
Other emoluments:			
Salaries and other benefits	–	–	–
Retirement benefit scheme contributions	–	–	–
	–	–	–
Total	–	–	–

10. PROPERTY, PLANT AND EQUIPMENT

	Computers	Motor vehicle	Machineries	Total
	HK$	*HK$*	*HK$*	*HK$*
COST				
At 1 July 2007 and 30 June 2008	–	–	–	–
Additions	240,687	133,837	512,368	886,892
Exchange realignment	(18,860)	(9,421)	(40,150)	(68,431)
At 30 June 2009	221,827	124,416	472,218	818,461
DEPRECIATION				
At 1 July 2007 and 30 June 2008	–	–	–	–
Provided for the year	40,115	6,563	14,232	60,910
Exchange realignment	(3,144)	(398)	(1,115)	(4,657)
At 30 June 2009	36,971	6,165	13,117	56,253
CARRYING VALUES				
At 30 June 2009	184,856	118,251	459,101	762,208
At 30 June 2008	–	–	–	–

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computers:	50%
Motor Vehicle:	20%
Machineries:	15% – 25%

11. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

12. AMOUNT DUE TO A DIRECTOR OF FELLOW SUBSIDIARIES

The amount was unsecured, interest-free and repaid in full during the year.

13. SHARE CAPITAL

	Nominal value per share *HK$*	Number of shares	Amount *HK$*
Authorised:			
At 1 July 2007	1.00	10,000	10,000
Subdivision of ordinary shares		990,000	–
	0.01	1,000,000	10,000
Increase in authorised share capital	0.01	258,763,430	2,587,634
At 30 June 2008 and 30 June 2009	0.01	259,763,430	2,597,634
Issued and fully paid:			
At 1 July 2007	1.00	1	1
Subdivision of ordinary shares		99	–
	0.01	100	1
Issue of new shares	0.01	259,763,330	2,597,633
At 30 June 2008 and 30 June 2009	0.01	259,763,430	2,597,634

On 30 June 2008, a special resolution was passed in an extraordinary general meeting to approve (i) subdivision of the Company's authorised share capital of HK$10,000 of 10,000 ordinary shares of HK$1.00 each into 1,000,000 ordinary shares of HK$0.01 each; and (ii) increase in the authorised share capital of the Company from HK$10,000 of 10,000 ordinary shares of HK$1.00 each to HK$2,597,634.30 of 259,763,430 ordinary shares of HK$0.01 each by creation of 258,763,430 ordinary shares of HK$0.01 each to rank pari passu in all respects with the existing ordinary shares of the Company.

On 30 June 2008, the Company issued additional 259,763,330 ordinary shares of HK$0.01 each to the sole shareholder at par for general working capital purpose. All ordinary shares issued rank pari passu with the then existing ordinary shares in issue in all respects.

14. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued share capital	Proportion of nominal value of issued share capital directly held by the Company at 30 June 2009	Principal activities
Sensors Integration Technology (M) SDN BHD	Malaysia	Malaysian Ringgit 1.00	100%	Research and development of high technology systems and applications
LLC RPC Sersoris	Russia	Russian Rouble 1.00	100%	Research and development of high technology systems and applications
Unified Color Technologies, LLC	USA	United States Dollar 1.00	100%	Research and development of high technology systems and applications