PALADIN LIMITED

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

ANNUAL REPORT OF
A SUBSIDIARY –
SENSORS INTEGRATION TECHNOLOGY LIMITED

2014

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 2014, net current liabilities of the Company were approximately HK$82 million. The current ratio was 0.38. The bank balances were approximately HK$0.39 million.

As at 30 June 2014, the major outstanding liabilities of the Company were amount due to a fellow subsidiary of approximately HK$113 million, amount due to an intermediate holding company of approximately HK$12 million and other payables and accruals of approximately HK$8 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 2014, the Company had no material acquisitions and disposals of subsidiaries.

As at 30 June 2014, the Company had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2014, the Company employed total of 5 employees. They were remunerated according to market conditions.

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2013: 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

Oung Shih Hua, James
DIRECTOR

Hong Kong
30 September 2014

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2014.

PRINCIPAL ACTIVITY

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

RESULTS

The results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 7.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Movements during the year in the share capital of the Company are set out in note 18 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	
Oung Shih Hua, James	(appointed on 10 September 2014)
Chen Te-Kuang, Mike	(removed on 10 September 2014)

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 to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Oung Shih Hua, James
DIRECTOR

30 September 2014

Deloitte.
德勤

TO THE DIRECTORS OF
SENSORS INTEGRATION TECHNOLOGY LIMITED
感應系統科技有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sensors Integration Technology Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 33, which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 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 about 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 of the consolidated financial statements that give a true and fair view 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 affairs of the Group as at 30 June 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Restriction on Distribution and Use

The consolidated financial statements are prepared pursuant to the articles of association of the Company amended on 8 June 2007. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the directors of Company and should not be distributed to or used by parties other than the directors of the Company without our prior written consent. We do not assume responsibility towards or accept liability to any other person for the contents of this report. For the avoidance of doubt, all duties and liabilities (including, without limitation, those arising from negligence or otherwise) to third parties are specifically disclaimed. Accordingly, any other person who relies on this report does so entirely at their own risk.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	**2014**	2013
		HK$	*HK$*
Turnover	7	**1,302,417**	1,158,985
Other income		**26,595**	72,865
Administrative expenses		**(8,128,804)**	(8,076,288)
Loss for the year	10	**(6,799,792)**	(6,844,438)
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(29,564)**	(75,942)
Total comprehensive expense for the year		**(6,829,356)**	(6,920,380)
Loss per share			
Basic	12	**(2.62) HK cents**	(2.63) HK cents

Consolidated Statement of Financial Position

At 30 June 2014

	NOTES	2014 HK$	2013 HK$
Non-current assets			
Property, plant and equipment	13	**39,152**	50,877
Current assets			
Other receivables and prepayments		**114,048**	113,077
Amounts due from fellow subsidiaries	14	**49,847,898**	49,847,898
Bank balances and cash	15	**387,798**	420,329
		50,349,744	50,381,304
Current liabilities			
Other payables and accruals	16	**7,850,969**	6,998,280
Amount due to an intermediate holding company	14	**11,675,281**	8,939,900
Amount due to a fellow subsidiary	14	**113,493,933**	97,645,530
Amount due to a director	17	**231,323**	12,881,725
		133,251,506	126,465,435
Net current liabilities		**(82,901,762)**	(76,084,131)
Net liabilities		**(82,862,610)**	(76,033,254)
Capital and reserves			
Share capital	18	**2,597,634**	2,597,634
Reserves		**(85,460,244)**	(78,630,888)
Deficiency of shareholder's fund		**(82,862,610)**	(76,033,254)

The consolidated financial statements on pages 7 to 33 were approved and authorised for issue by the Board of Directors on 30 September 2014.

Oung Da Ming
DIRECTOR

Oung Shih Hua, James
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital *HK$*	Translation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 July 2012	2,597,634	(1,918,215)	(69,792,293)	(69,112,874)
Loss for the year	–	–	(6,844,438)	(6,844,438)
Exchange differences arising on translation and other comprehensive expense for the year	–	(75,942)	–	(75,942)
Total comprehensive expense for the year	–	(75,942)	(6,844,438)	(6,920,380)
At 30 June 2013	2,597,634	(1,994,157)	(76,636,731)	(76,033,254)
Loss for the year	–	–	(6,799,792)	(6,799,792)
Exchange differences arising on translation and other comprehensive expense for the year	–	(29,564)	–	(29,564)
Total comprehensive expense for the year	–	(29,564)	(6,799,792)	(6,829,356)
At 30 June 2014	2,597,634	(2,023,721)	(83,436,523)	(82,862,610)

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	2014	2013
	HK$	*HK$*
Operating activities		
Loss for the year	**(6,799,792)**	(6,844,438)
Adjustments for:		
Depreciation	**28,932**	36,075
Interest income	**(1,018)**	(439)
Operating cash flows before movements in working capital	**(6,771,878)**	(6,808,802)
(Increase) decrease in other receivables and prepayments	**(971)**	105,335
Increase in other payables and accruals	**827,796**	42,933
Net cash used in operating activities	**(5,945,053)**	(6,660,534)
Investing activities		
Interest received	**1,018**	439
Purchase of property, plant and equipment	**(17,409)**	(6,810)
Net cash used in investing activities	**(16,391)**	(6,371)
Financing activities		
Advance from an intermediate holding company	**2,735,381**	4,904,450
Advance from a fellow subsidiary	**15,848,403**	1,716,000
Repayment to a director	**(12,650,402)**	–
Net cash from financing activities	**5,933,382**	6,620,450
Net decrease in cash and cash equivalents	**(28,062)**	(46,455)
Cash and cash equivalents at beginning of the year	**420,329**	463,691
Effect of foreign exchange rate changes	**(4,469)**	3,093
Cash and cash equivalents at end of the year, representing bank balances and cash	**387,798**	420,329

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Perfect Place Limited, a company incorporated in the British Virgin Islands. Its intermediate holding company is Paladin Limited ("Paladin"), a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Five Star Investments Limited ("Five Star"), a company which is incorporated in the British Virgin Islands. The addresses of the registered office and the principal place of business of the Company are Suite 2304, 23rd Floor, Sun Life Tower, The Gateway, Harbour City, Tsimshatsui, Kowloon, 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. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the articles of association of the Company amended on 8 June 2007, the consolidated financial statements for the year ended 30 June 2014 have been prepared solely for the information of the Company's directors and published in the website of the Stock Exchange.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the net current liabilities of approximately HK$82,902,000 as at 30 June 2014 and a loss of approximately HK$6,829,000 for the year then ended. Paladin has agreed to provide adequate funds for the Group to meet in full its financial obligations as they fall due for the foreseeable future.

Taking into account the available unutilised bank credit facility of Paladin and its subsidiaries (collectively the "Paladin Group") as at 30 June 2014 and the estimated proceeds which can be received from future sales of developed properties of Paladin Group, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future 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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New or revised standards and interpretations that have been issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle[2]
HKFRS 9	Financial instruments[7]
HKFRS 14	Regulatory deferral accounts[4]
HKFRS 15	Revenue from contracts with customers[6]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[3]
Amendments to HKAS 39	Novation of derivatives and contribution of hedge accountings[3]
HK(IFRIC) – INT 21	Levies[3]

[1] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[2] Effective for annual periods beginning on or after 1 July 2014.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
[5] Effective for annual periods beginning on or after 1 January 2016.
[6] Effective for annual periods beginning on or after 1 January 2017.
[7] Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairments of assets".

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets and financial liabilities are recognised 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 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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest 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. Subsequent to initial recognition, loans and receivables (including other receivables, amounts due from fellow subsidiaries and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (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 the end of the reporting period. Financial assets are considered to be 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 affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as 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 recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in according with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (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 (including all fees and 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including other payables, amount due to an intermediate holding company, amount due to a fellow subsidiary and amount due to a director are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognise financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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)

Impairment

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 the respective 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

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 end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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 before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are generally not recognised for all deductible temporary difference 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme in Hong Kong, Employee Provident Fund Scheme in Malaysia and state-managed retirement benefit schemes in the United States of America (the "USA") are recognised as an expense when employees have rendered service entitling them to the contributions.

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 amount due to an intermediate holding company, amount due to a fellow subsidiary, amount due to a director and equity attributable to equity holders of the Company, comprising issued share capital and reserves as disclosed in relevant notes and the consolidated statement of changes in equity.

5. CAPITAL RISK MANAGEMENT (Cont'd)

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

	2014	2013
	HK$	*HK$*
Financial assets		
Loans and receivables		
Other receivables	**86,115**	85,935
Amounts due from fellow subsidiaries	**49,847,898**	49,847,898
Bank balances and cash	**387,798**	420,329
	50,321,811	50,354,162
Financial liabilities		
Amortised cost		
Other payables	**1,420,171**	609,386
Amount due to an intermediate holding company	**11,675,281**	8,939,900
Amount due to a fellow subsidiary	**113,493,933**	97,645,530
Amount due to a director	**231,323**	12,881,725
	126,820,708	120,076,541

Financial risk management objectives and policies

The Group's major financial instruments include other receivables, amounts due from fellow subsidiaries, bank balances and cash, other payables, amount due to an intermediate holding company, amount due to a fellow subsidiary and amount due to a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged from prior year.

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 (being bank balances and cash) at the reporting dates are as follows:

	2014	2013
	HK$	*HK$*
Assets		
United States Dollars ("USD")	**6,360**	6,835

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 HKD against USD. As HKD is pegged to USD, the financial impact on exchange difference between HKD and USD is expected to be immaterial and accordingly no sensitivity analysis has been prepared.

Credit risk

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

At 30 June 2014, the Group has concentration of credit risk in relation to the receivables due from certain fellow subsidiaries totalling to HK$49,847,898. In order to minimise the credit risk, the directors of the Company have reviewed the recoverable amount of the receivables from fellow subsidiaries at the end of the reporting period to ensure that adequate impairment losses are made for the irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk on receivables from fellow subsidiaries is significantly reduced.

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 the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are with short maturity.

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 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 2014				
Non-derivative financial liabilities				
Other payables	N/A	–	1,420,171	1,420,171
Amount due to an intermediate holding company	N/A	11,675,281	–	11,675,281
Amount due to a fellow subsidiary	N/A	113,493,933	–	113,493,933
Amount due to a director	N/A	231,323	–	231,323
		125,400,537	1,420,171	126,820,708

6. FINANCIAL INSTRUMENTS (Cont'd)

Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Liquidity and interest rate table (Cont'd)

	Weighted average interest rate	On demand	Less than 3 months	Total undiscounted cash flows and carrying amounts
	%	*HK$*	*HK$*	*HK$*
At 30 June 2013				
Non-derivative financial liabilities				
Other payables	N/A	–	609,386	609,386
Amount due to an intermediate holding company	N/A	8,939,900	–	8,939,900
Amount due to a fellow subsidiary	N/A	97,645,530	–	97,645,530
Amount due to a director	N/A	12,881,725	–	12,881,725
		119,467,155	609,386	120,076,541

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

7. TURNOVER

Turnover represents the amounts received or receivables for I.T. consultancy services provided during the year.

8. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting and operating segment focusing on provision of I.T. consultancy services. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies confirm to HKFRSs that are regularly reviewed by the directors of the Company.

8. SEGMENT INFORMATION (Cont'd)

The directors of the Company review the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of the single reporting segment is presented.

9. TAXATION

No provision for Hong Kong Profits Tax has been made 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.

Income tax for the Group is calculated at the rate prevailing for the respective jurisdiction. During the year ended 30 June 2014 and 30 June 2013, the Group has a subsidiary in the USA which is liable for the corporate income tax at progressive tax rates for which the lowest tax rate is 15% in both years.

Taxation for the year can be reconciled to loss for the year per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$	*HK$*
Loss before taxation	**(6,799,792)**	(6,844,438)
Tax credit at Hong Kong Profits Tax rate of 16.5%	**(1,121,966)**	(1,129,332)
Tax effect of expenses not deductible for tax purposes	**552,854**	570,517
Tax effect of income not assessable for tax purposes	**(219,287)**	(203,256)
Tax effect of tax losses not recognised	**716,726**	692,793
Effect of different tax rate of subsidiaries operating in other jurisdictions	**71,673**	69,278
Taxation for the year	**–**	–

At 30 June 2014, the Group has unused tax losses of approximately HK$32,365,000 (2013: HK$27,587,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profits streams. The unrecognised tax losses may be carried forward indefinitely.

10. LOSS FOR THE YEAR

	2014	2013
	HK$	*HK$*
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 11)	**–**	–
Other staff costs	**2,035,058**	2,489,535
Contribution to retirement benefit scheme	**10,600**	10,700
	2,045,658	2,500,235
Auditor's remuneration	**50,000**	50,000
Depreciation on property, plant and equipment	**28,932**	36,075
and after crediting:		
Interest income	**1,018**	439
Net exchange gain	**24,265**	72,426

11. DIRECTORS' EMOLUMENTS

Particulars of the emoluments of the directors of the Company are as follows:

The emoluments paid or payable to each of the two (2013: two) directors of the Company were as follows:

		2014	
	Oung Da Ming	**Chen Te Kuang Mike**	**Total**
	HK$	***HK$***	***HK$***
Directors' fees	**–**	**–**	**–**
Other emoluments:			
Salaries and other benefits	**–**	**–**	**–**
Retirement benefit scheme contributions	**–**	**–**	**–**
	–	**–**	**–**
Total	**–**	**–**	**–**

		2013	
	Oung Da Ming	Chen Te Kuang Mike	Total
	HK$	*HK$*	*HK$*
Directors' fees	–	–	–
Other emoluments:			
Salaries and other benefits	–	–	–
Retirement benefit scheme contributions	–	–	–
	–	–	–
Total	–	–	–

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2014	2013
	HK$	*HK$*
Loss		
Loss for the purposes of basic loss per share	**(6,799,792)**	(6,844,438)

	2014	2013
Number of shares		
Number of shares for the purposes of basic loss per share	**259,763,430**	259,763,430

No diluted loss per share is presented as the Company did not have any potential dilutive ordinary shares outstanding during both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles *HK$*	Furniture, fixture and equipment *HK$*	Computers *HK$*	Machineries *HK$*	Total *HK$*
COST					
At 1 July 2012	247,316	17,810	258,984	427,553	951,663
Addition	–	6,810	–	–	6,810
Exchange realignment	–	96	116	–	212
At 30 June 2013	247,316	24,716	259,100	427,553	958,685
Addition	–	–	17,409	–	17,409
Exchange realignment	–	(253)	(170)	–	(423)
At 30 June 2014	247,316	24,463	276,339	427,553	975,671
DEPRECIATION					
At 1 July 2012	247,316	6,745	190,063	427,553	871,677
Provided for the year	–	3,889	32,186	–	36,075
Exchange realignment	–	15	41	–	56
At 30 June 2013	247,316	10,649	222,290	427,553	907,808
Provided for the year	–	2,155	26,777	–	28,932
Exchange realignment	–	(63)	(158)	–	(221)
At 30 June 2014	247,316	12,741	248,909	427,553	936,519
CARRYING VALUES					
At 30 June 2014	–	11,722	27,430	–	39,152
At 30 June 2013	–	14,067	36,810	–	50,877

13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

Motor vehicles	20%
Furniture, fixture and equipment	10 – 20%
Computers	50%
Machineries	15 – 25%

14. AMOUNTS DUE FROM (TO) FELLOW SUBSIDIARIES/INTERMEDIATE HOLDING COMPANY

The amounts are unsecured, interest-free and repayable on demand.

15. BANK BALANCES AND CASH

The amounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, at prevailing market interest rates ranging from 0.01% to 0.02% (2013: 0.01% to 0.02%) per annum.

Included in bank balances and cash are the following amounts denominated in a currency other than the functional currency of the group entities to which it relates.

	2014	2013
	HK$	*HK$*
USD	**6,360**	6,835

16. OTHER PAYABLES AND ACCRUALS

	2014	2013
	HK$	*HK$*
Accrued audit fee	**50,000**	50,000
Accrued salaries	**7,293,192**	6,320,366
Business consultancy fee payable	**351,468**	329,144
Others	**156,309**	298,770
	7,850,969	6,998,280

17. AMOUNT DUE TO A DIRECTOR

The amounts represent amount due to Oung Da Ming, which is unsecured, interest-free and repayable on demand.

18. SHARE CAPITAL

	HK$
Authorised:	
At 1 July 2012, 30 June 2013 and 1 July 2013	
– 259,763,430 ordinary shares of HK$0.01 each	2,597,634
At 30 June 2014 (Note)	N/A
Issued and fully paid:	
At 1 July 2012, 30 June 2013 and 1 July 2013	
– 259,763,430 ordinary shares of HK$0.01 each	2,597,634
At 30 June 2014	
– 259,763,430 ordinary shares with no par value (Note)	2,597,634

Note: The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

19. OPERATING LEASE

At the end of the reporting period, the Group had contracted with landlords for the following future minimum lease payments.

The Group as lessee

	2014	2013
	HK$	*HK$*
Within one year	**398,555**	255,524
In the second to fifth years inclusive	**466,511**	60,189
	865,066	315,713

The minimum lease payments under operating lease recognised as an expense for the year is HK$447,000 (2013: HK$428,000). Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 2 years.

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the 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 2014 and 2013**	**Principal activities**
Sensors Integration Technology (M) SDN BHD	Malaysia	Malaysian Ringgit 1.00	100%	Provision of I.T. consultancy service
LLC RPC Sensoris	Russia	Russian Rouble 1.00	100%	Inactive
Unified Color Technologies, LLC	The USA	United States Dollar 1.00	100%	Provision of I.T. consultancy service

21. RELATED PARTY TRANSACTIONS

The management of the Company regards the key management as the two directors and their emoluments are set out in note 11.