

PALADIN LIMITED

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

INTERIM REPORT OF A SUBSIDIARY – SENSORS INTEGRATION TECHNOLOGY LIMITED

2012

For the six months ended 31 December 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2012

		Six months ended 31 December	
		2012	2011
	NOTE	HK\$	HK\$
		(Unaudited)	(Unaudited)
Turnover		—	—
Other income		772,242	442,258
Administrative expenses		(4,096,983)	(3,458,022)
Loss for the period	4	(3,324,741)	(3,015,764)
Other comprehensive (expense) income			
Exchange difference arising on translation		(65,628)	634,099
Total comprehensive expenses for the period		<u>(3,390,369)</u>	<u>(2,381,665)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	31.12.2012 HK\$ (Unaudited)	30.6.2012 HK\$ (Audited)
Non-current assets			
Property, plant and equipment	6	46,177	79,986
Current assets			
Other receivables and prepayments		165,836	221,378
Amounts due from fellow subsidiaries	7	49,847,898	49,847,898
Bank balances and cash		328,539	463,691
		50,342,273	50,532,967
Current liabilities			
Other payables and accruals		6,800,088	6,879,122
Amount due to ultimate holding company	7	7,280,350	4,035,450
Amount due to a fellow subsidiary	7	95,929,530	95,929,530
Amount due to a director		12,881,725	12,881,725
		122,891,693	119,725,827
Net current liabilities		(72,549,420)	(69,192,860)
Net liabilities		(72,503,243)	(69,112,874)
Capital and reserves			
Share capital	8	2,597,634	2,597,634
Reserves		(75,100,877)	(71,710,508)
Deficiency of shareholder's fund		(72,503,243)	(69,112,874)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2012

	Share capital HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2011 (audited)	2,597,634	(1,888,132)	(61,994,775)	(61,285,273)
Loss for the year	–	–	(7,797,518)	(7,797,518)
Exchange differences arising on translation	–	(30,083)	–	(30,083)
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Total comprehensive expense for the year	–	(30,083)	(7,797,518)	(7,827,601)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2012 and 1 July 2012 (audited)	2,597,634	(1,918,215)	(69,792,293)	(69,112,874)
Loss for the period	–	–	(3,324,741)	(3,324,741)
Exchange differences arising on translation	–	(65,628)	–	(65,628)
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Total comprehensive expense for the period	–	(65,628)	(3,324,741)	(3,390,369)
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At 31 December 2012 (unaudited)	<u>2,597,634</u>	<u>(1,983,843)</u>	<u>(73,117,034)</u>	<u>(72,503,243)</u>
At 1 July 2011 (audited)	2,597,634	(1,888,132)	(61,994,775)	(61,285,273)
Loss for the period	–	–	(3,015,764)	(3,015,764)
Exchange differences arising on translation	–	634,099	–	634,099
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Total comprehensive expense for the period	–	634,099	(3,015,764)	(2,381,665)
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At 31 December 2011 (unaudited)	<u>2,597,634</u>	<u>(1,254,033)</u>	<u>(65,010,539)</u>	<u>(63,666,938)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2012

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(3,377,334)</u>	<u>(2,874,123)</u>
Investing activities		
Interest received	300	215
Purchase of property, plant and equipment	<u>–</u>	<u>(47,368)</u>
Net cash from (used in) investing activities	<u>300</u>	<u>(47,153)</u>
Financing activities		
Advance from immediate holding company	–	881,550
Advance from ultimate holding company	3,244,900	–
Repayment to a director	<u>–</u>	<u>(1,231,343)</u>
Net cash from (used in) financing activities	<u>3,244,900</u>	<u>(349,793)</u>
Net decrease in cash and cash equivalents	(132,134)	(3,271,069)
Cash and cash equivalents at beginning of the period	463,691	3,014,967
Effect of foreign exchange rate changes	<u>(3,018)</u>	<u>634,712</u>
Cash and cash equivalents at the end of the period, representing bank balance and cash	<u><u>328,539</u></u>	<u><u>378,610</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2012

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The 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”).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the period ended 31 December 2012 have been prepared solely for the information of the Company’s management.

In preparing the condensed 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\$72,549,000 as at 31 December 2012 and a loss of approximately HK\$3,325,000 for the period then ended. Paladin Limited and its subsidiaries (collectively the “Paladin Group”) 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 facilities of Paladin Group as at 31 December 2012 and the cash flows generated from the operations of Paladin Group, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future and accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2012.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and application (“new and revised HKFRSs”) issued by the HKICPA.

The application of the new or revised HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2012

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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 2009 – 2011 cycle ¹
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosures of interests in other entities ¹
HKFRS 13	Fair value measurements ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
HK(IFRIC*) – INT 20	Stripping costs in the production phase of a surface mine ¹

* IFRIC represents the IFRS Interpretations Committee.

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014.

³ Effective for annual periods beginning on or after 1 January 2015.

4. LOSS FOR THE PERIOD

	Six months ended 31 December	
	2012	2011
	HK\$	HK\$
Loss for the period has been arrived at after (charging) crediting:		
Depreciation	(33,705)	(48,700)
Interest income	300	215
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

For the six months ended 31 December 2012

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the group has no assessable profit for both periods.

6. PROPERTY, PLANT AND EQUIPMENT

During the period, depreciation of HK\$33,705 (1.7.2011 to 31.12.2011: HK\$48,700) were charged in respect of the Group's property, plant and equipment. In addition, the Group spent nil (1.7.2011 to 31.12.2011: HK\$47,000) on addition to property, plant and equipment.

7. AMOUNT DUE FROM (TO) GROUP COMPANIES

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

8. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Amount HK\$
Authorised:			
At 1 July 2011, 30 June 2012 and 31 December 2012	0.01	259,763,430	2,597,634
		<u>259,763,430</u>	<u>2,597,634</u>
Issued and fully paid:			
At 1 July 2011, 30 June 2012 and 31 December 2012	0.01	259,763,430	2,597,634
		<u>259,763,430</u>	<u>2,597,634</u>

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 significant revenue to the Company at this stage.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2012, net current liabilities of the Company were approximately HK\$73 million. The current ratio was 0.41. The bank balances were approximately HK\$0.3 million.

As at 31 December 2012, the major outstanding liabilities of the Company was amounts due to ultimate holding company of approximately HK\$7 million, amount due to a fellow subsidiary of approximately HK\$96 million, and due to a director of approximately HK\$13 million and other payables and accruals of approximately HK\$7 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 six months ended 31 December 2012, the Company had no material acquisitions and disposals of subsidiaries.

As at 31 December 2012, the Company had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Company employed a total of 14 employees. They were remunerated according to market conditions.

INTERIM DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six month ended 31 December 2012.

ACKNOWLEDGEMENT

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

By order of the Board
Chen Te Kuang Mike
DIRECTOR

Hong Kong, 22 February 2013