

PALADIN LIMITED

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

INTERIM REPORT OF A SUBSIDIARY – SENSORS INTEGRATION TECHNOLOGY LIMITED

2013

For the six months ended 31 December 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2013

	NOTES	Six months ended 31 December	
		2013	2012
		HK\$ (Unaudited)	HK\$ (Unaudited)
Turnover		697,960	–
Other income		13,225	772,242
Administrative expenses		(3,807,975)	(4,096,983)
		<u> </u>	<u> </u>
Loss for the period	5	(3,096,790)	(3,324,741)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation		(12,360)	(65,628)
		<u> </u>	<u> </u>
Total comprehensive expenses for the period		<u><u>(3,109,150)</u></u>	<u><u>(3,390,369)</u></u>
LOSS PER SHARE			
Basic	7	<u><u>(1.19) HK cents</u></u>	<u><u>(1.28) HK cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	31.12.2013 HK\$ (Unaudited)	30.6.2013 HK\$ (Audited)
Non-current assets			
Property, plant and equipment	8	40,034	50,877
Current assets			
Other receivables and prepayments		107,546	113,077
Amounts due from fellow subsidiaries	9	49,847,898	49,847,898
Bank balances and cash		607,142	420,329
		50,562,586	50,381,304
Current liabilities			
Other payables and accruals		6,815,229	6,998,280
Amount due to ultimate holding company	9	10,764,540	8,939,900
Amount due to a fellow subsidiary	9	99,283,530	97,645,530
Amount due to a director		12,881,725	12,881,725
		129,745,024	126,465,435
Net current liabilities		(79,182,438)	(76,084,131)
Net liabilities		(79,142,404)	(76,033,254)
Capital and reserves			
Share capital	10	2,597,634	2,597,634
Reserves		(81,740,038)	(78,630,888)
Deficiency of shareholder's fund		(79,142,404)	(76,033,254)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2013

	Share capital HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2012 (audited)	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	–	(75,942)	–	(75,942)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	–	(75,942)	(6,844,438)	(6,920,380)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013 and 1 July 2013 (audited)	2,597,634	(1,994,157)	(76,636,731)	(76,033,254)
Loss for the period	–	–	(3,096,790)	(3,096,790)
Exchange differences arising on translation	–	(12,360)	–	(12,360)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the period	–	(12,360)	(3,096,790)	(3,109,150)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013 (unaudited)	<u>2,597,634</u>	<u>(2,006,517)</u>	<u>(79,733,521)</u>	<u>(79,142,404)</u>
At 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)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the period	–	(65,628)	(3,324,741)	(3,390,369)
	<hr/>	<hr/>	<hr/>	<hr/>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	Six months ended 31 December	
	2013	2012
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(3,276,220)	(3,377,334)
Cash from investing activities		
Interest received	110	300
Financing activities		
Advance from ultimate holding company	1,824,640	3,244,900
Advance from fellow subsidiaries	1,638,000	—
Net cash from financing activities	3,462,640	3,244,900
Net increase (decrease) in cash and cash equivalents	186,530	(132,134)
Cash and cash equivalents at beginning of the period	420,329	463,691
Effect of foreign exchange rate changes	283	(3,018)
Cash and cash equivalents at the end of the period, representing bank balance and cash	607,143	328,539

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2013

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 2013 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\$79,182,000 as at 31 December 2013 and a loss of approximately HK\$3,097,000 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 2013 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 2013.

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

For the six months ended 31 December 2013

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("new and revised HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: transition guidance
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKFRS 7	Disclosures – offsetting financial assets and financial liabilities
Amendments to HKAS 1	Presentation of items of other comprehensive income
Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

The application of the new or revised HKFRSs in the current interim 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.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
HKFRS 9	Financial instruments ²
Amendments to HKAS 19	Defined benefit plans: Employee contributions ³
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
HK(IFRIC*) – INT 21	Levies ¹

* IFRIC represents the IFRS Interpretations Committee.

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

² Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

³ Effective for annual periods beginning on or after 1 July 2014.

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

For the six months ended 31 December 2013

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single reporting and operating segment focusing on provision of information technology consultancy services. This reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies as disclosed in note 3 that are regularly reviewed by the directors of the Company.

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.

5. LOSS FOR THE PERIOD

	Six months ended 31 December	
	2013	2012
	HK\$	HK\$
Loss for the period has been arrived at after (charging) crediting:		
Depreciation	(10,768)	(33,705)
Interest income	109	300
	<u> </u>	<u> </u>

6. 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.

For the six months ended 31 December 2013

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

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

During the period, depreciation of HK\$10,768 (1.7.2012 to 31.12.2012: HK\$33,705) were charged in respect of the Group's property, plant and equipment. In addition, the Group spent nil (1.7.2012 to 31.12.2012: nil) on addition to property, plant and equipment.

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

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

For the six months ended 31 December 2013

10. SHARE CAPITAL

	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$</i>
Authorised:			
At 1 July 2012, 30 June 2013 and 31 December 2013	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 2012, 30 June 2013 and 31 December 2013	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 it only generated a revenue of approximately HK\$1 million for the six months ended 31 December 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, net current liabilities of the Company were approximately HK\$79 million. The current ratio was 0.39. The bank balances were approximately HK\$1 million.

As at 31 December 2013, the major outstanding liabilities of the Company was amounts due to ultimate holding company of approximately HK\$11 million, amount due to a fellow subsidiary of approximately HK\$99 million, amount 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 2013, the Company had no material acquisitions and disposals of subsidiaries.

As at 31 December 2013, the Company had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, 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 2013.

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, 27 February 2014