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PALADIN LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 495 and 642 (Preference Shares))

ANNOUNCEMENT OF RESULTS OF A SUBSIDIARY, SENSORS INTEGRATION TECHNOLOGY LIMITED, FOR THE YEAR ENDED 30 JUNE 2016

In accordance with the circular dated 8 June 2007, the board of directors (the "Board") of Paladin Limited ("Paladin") is pleased to announce the audited results of a wholly-owned subsidiary, Sensors Integration Technology Limited (the "Company") and its subsidiaries (the "Group"), for the year ended 30 June 2016 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
	NOTES	***HK$***	*HK$*
Turnover	*3*	**734,711**	1,165,476
Other income, gains and losses	*4*	**64**	(6,880,680)
Administrative expenses		**(465,582)**	(3,248,908)
Profit (loss) for the year		**269,193**	(8,964,112)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**1,589,755**	2,317,577
Total comprehensive income (expense) for the year		**1,858,948**	(6,646,535)
Earnings (loss) per share			
Basic	*7*	**0.10 HK cents**	(3.45) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	2016	2015
	HK$	*HK$*
Non-current assets		
Property, plant and equipment	**33,698**	58,879
Current assets		
Other receivables and prepayments	**97,599**	102,288
Bank balances and cash	**230,634**	187,026
	328,233	289,314
Current liabilities		
Other payables and accruals	**5,493,491**	7,344,225
Amount due to an intermediate holding company	**82,337,185**	82,287,185
Amount due to a fellow subsidiary	**43,423**	–
Amount due to a related party	**94,854**	150,311
Bank overdrafts	**43,175**	75,617
	88,012,128	89,857,338
Net current liabilities	**(87,683,895)**	(89,568,024)
Net liabilities	**(87,650,197)**	(89,509,145)
Capital and reserves		
Share capital	**2,597,634**	2,597,634
Reserves	**(90,247,831)**	(92,106,779)
Deficiency of shareholder's fund	**(87,650,197)**	(89,509,145)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. 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 2016 have been prepared solely for the information of the Company's directors and published in the website of the Stock Exchange.

The consolidated financial statements have been prepared on a going concern basis because 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.

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

In the current year, the Group adopted accounting policies in the consolidated financial statements that are consistent with those set out in the consolidated financial statements for the year ended 30 June 2015.

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from contracts with customers[2]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 7	Disclosure initative[5]

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2017.

Except as described below, the directors anticipates that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2015 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors anticipates that the application of HKFRS 9 in the future will affect the classification and measurement of the Group's financial assets but unlikely affect the Group's financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 "Revenue From Contracts With Customers"

In July 2015, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipates that the application of HKFRS 15 in the future may have impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 "Leases"

HKFRS 16 was issued by the HKICPA in May 2016. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the consolidated financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 "Property, plant and equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The directors of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. TURNOVER

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

4. OTHER INCOME, GAINS AND LOSSES

	2016	2015
	HK$	*HK$*
Interest income	**64**	279
Write-off of amount due from a fellow subsidiary	**–**	(6,880,959)
	64	(6,880,680)

5. 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.

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.

6. 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 2016 and 30 June 2015, 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.

7. EARNINGS (LOSS) PER SHARE

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

	2016	2015
	HK$	*HK$*
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings (loss) per share	**269,193**	(8,964,112)

	2016	2015
Number of shares		
Number of shares for the purposes of basic earnings (loss) per share	**259,763,430**	259,763,430

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

8. DEPRECIATION

Depreciation of property, plant and equipment for the year amounted to HK$24,401 (2015: HK$20,520).

DIVIDEND

The Directors of the Company do not recommend the payment of a final dividend (2015: nil).

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 income for the year ended 30 June 2016 was approximately HK$1 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, net current liabilities of the Company were approximately HK$88 million. The current ratio was 0.004. The bank balances were approximately HK$0.23 million.

As at 30 June 2016, the major outstanding liabilities of the Company were amount due to an intermediate holding company of approximately HK$82 million and other payables and accruals of approximately HK$5 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 2016, the Company had no material acquisitions and disposals of subsidiaries.

As at 30 June 2016, the Company had no material investment.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Company employed total of 5 employees. They were remunerated according to market conditions.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is available for viewing on the website of the Stock Exchange and on the website of Paladin Limited at http://www.aplushk.com/clients/00642paladin/. The annual report of the Company will be despatched to the holders of preference shares of Paladin Limited in due course.

By Order of the Board
Oung Shih Hua, James
Director

Hong Kong, 30 September 2016

As at the date of this announcement, the Chairman and executive director of Paladin Limited is Dr. Oung Shih Hua, James; the non-executive directors of Paladin Limited are Mr. Yuen Chi Wah and Mr. Chan Chi Ho; and the independent non-executive directors of Paladin Limited are Dr. Au Chik Lam Alexander, Mr. Liu Man Kin Dickson and Professor Huang Weizong Martin.