

# **PALADIN LIMITED**

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

## **ANNUAL REPORT OF A SUBSIDIARY – SENSORS INTEGRATION TECHNOLOGY LIMITED**

# **2016**

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# **DIRECTORS' STATEMENT**

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## **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.

## **DIRECTORS' STATEMENT** (Cont'd)

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### **DIVIDEND**

The Directors of the Company do not recommend the payment of a final dividend (2015: 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 2016

# **DIRECTORS' REPORT**

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The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2016.

## **PRINCIPAL ACTIVITY**

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23 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 8.

## **BUSINESS REVIEW**

In accordance with Section 388(3) of the Hong Kong Companies Ordinance, the Company falls within the reporting exemption for the financial year and is therefore exempt from preparing business review in the directors' report by Schedule 5 of the Hong Kong Companies Ordinance.

## **DIRECTORS**

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

Oung Shih Hua, James  
Shin Wing Leung, Warren

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

## **PERMITTED INDEMNITY PROVISION**

During the year and at the time when the directors' report is approved, a permitted indemnity provision contained in the Company's Article of Association that is subject to the requirements specified in section 469(2) of the Companies Ordinance for the benefit of all directors of the Company is in force. There is appropriate directors' and officers' liability insurance coverage made by the parent company for the directors and officers of Paladin Limited and its subsidiaries.

## **DIRECTORS' REPORT** (Cont'd)

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### **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 2016



**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 8 to 38, which comprise the consolidated statements of financial position as at 30 June 2016, 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.

## **INDEPENDENT AUDITOR'S REPORT** (Cont'd)

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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 a 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 financial position of the Group as at 30 June 2016, and of its financial performance 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 2016



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	2016 HK\$	2015 HK\$
Turnover	7	734,711	1,165,476
Other income, gains and losses	9	64	(6,880,680)
Administrative expenses		(465,582)	(3,248,908)
		<hr/>	<hr/>
Profit (loss) for the year	11	269,193	(8,964,112)
<b>Other comprehensive income</b>			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		1,589,755	2,317,577
		<hr/>	<hr/>
Total comprehensive income (expense) for the year		1,858,948	(6,646,535)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share			
Basic	13	0.10 HK cents	(3.45) HK cents
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>NOTES</i>	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Non-current assets			
Property, plant and equipment	<i>14</i>	<b>33,698</b>	58,879
Current assets			
Other receivables and prepayments		<b>97,599</b>	102,288
Bank balances and cash	<i>15</i>	<b>230,634</b>	187,026
		<b>328,233</b>	289,314
Current liabilities			
Other payables and accruals		<b>5,493,491</b>	7,344,225
Amount due to an intermediate holding company	<i>16</i>	<b>82,337,185</b>	82,287,185
Amount due to a fellow subsidiary	<i>16</i>	<b>43,423</b>	–
Amount due to a related party	<i>17</i>	<b>94,854</b>	150,311
Bank overdrafts		<b>43,175</b>	75,617
		<b>88,012,128</b>	89,857,338
Net current liabilities		<b>(87,683,895)</b>	(89,568,024)
Net liabilities		<b>(87,650,197)</b>	(89,509,145)
Capital and reserves			
Share capital	<i>18</i>	<b>2,597,634</b>	2,597,634
Reserves		<b>(90,247,831)</b>	(92,106,779)
Deficiency of shareholder's fund		<b>(87,650,197)</b>	(89,509,145)

The consolidated financial statements on pages 8 to 38 were approved and authorised for issue by the Board of Directors on 30 September 2016.

**Oung Shih Hua, James**  
*DIRECTOR*

**Shin Wing Leung, Warren**  
*DIRECTOR*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2016*

	<b>Share capital</b> <i>HK\$</i>	<b>Translation reserve</b> <i>HK\$</i>	<b>Accumulated losses</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 July 2014	2,597,634	(2,023,721)	(83,436,523)	(82,862,610)
Loss for the year	–	–	(8,964,112)	(8,964,112)
Exchange differences arising on translation and other comprehensive income for the year	–	2,317,577	–	2,317,577
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income (expense) for the year	–	2,317,577	(8,964,112)	(6,646,535)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	2,597,634	293,856	(92,400,635)	(89,509,145)
Profit for the year	–	–	269,193	269,193
Exchange differences arising on translation and other comprehensive income for the year	–	1,589,755	–	1,589,755
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	–	1,589,755	269,193	1,858,948
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	<u>2,597,634</u>	<u>1,883,611</u>	<u>(92,131,442)</u>	<u>(87,650,197)</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Operating activities		
Profit (loss) for the year	269,193	(8,964,112)
Adjustments for:		
Depreciation	24,401	20,520
Write-off of amount due from a fellow subsidiary	–	6,880,959
Interest income	(64)	(279)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	293,530	(2,062,912)
Increase in other receivables and prepayments	–	(110)
Increase in other payables and accruals	(310,146)	1,748,380
	<hr/>	<hr/>
Net cash used in operating activities	(16,616)	(314,642)
	<hr/>	<hr/>
Investing activities		
Interest received	64	279
Purchase of property, plant and equipment	–	(41,720)
	<hr/>	<hr/>
Net cash from (used in) investing activities	64	(41,441)
	<hr/>	<hr/>
Financing activities		
Advance from an intermediate holding company	50,000	84,910
Advance from a fellow subsidiary	43,423	–
	<hr/>	<hr/>
Net cash from financing activities	93,423	84,910
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	76,871	(271,173)
Cash and cash equivalents at beginning of the year	111,409	387,798
Effect of foreign exchange rate changes	(821)	(5,216)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	187,459	111,409
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	230,634	187,026
Bank overdrafts	(43,175)	(75,617)
	<hr/>	<hr/>
	187,459	111,409
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2016*

## 1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Capleton Holdings 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 Basurto Holdings Limited, 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 23 to the consolidated financial statements.

The figures and financial information relating to the year ended 30 June 2016 included in consolidated financial statements are not the Company’s statutory annual consolidated financial statements for that year. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 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 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.

## 3. 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.

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

For the year ended 30 June 2016

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

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 <sup>2</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle <sup>1</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>1</sup>
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from contracts with customers <sup>2</sup>
Amendments to HKAS 1	Disclosure initiative <sup>1</sup>
Amendments to HKAS 7	Disclosure initiative <sup>5</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>1</sup>

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>5</sup> 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.

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

For the year ended 30 June 2016

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

### 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 anticipate 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.

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

For the year ended 30 June 2016

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

### 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.



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

*For the year ended 30 June 2016*

## **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont'd)**

### **HKFRS 16 “Leases”**

HKFRS 16 was issued by the HKICPA in May 2016. It will be effective for annual periods beginning on or after 1 January 2019. 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 Company 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.

## **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.

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

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

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

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 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.

### 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.

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

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

#### *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 financial asset 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 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).

#### *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.

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

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

#### *Impairment of financial assets (Cont'd)*

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 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 instruments*

Debt and equity instruments issued by a group entity are classified as either 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.

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

*For the year ended 30 June 2016*

## 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, amount due to a related party and bank overdrafts 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.

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

For the year ended 30 June 2016

## 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.

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 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 immediately in profit or loss.

Where 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 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.

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.

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

*For the year ended 30 June 2016*

## 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 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.

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



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

For the year ended 30 June 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Taxation** (Cont'd)

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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### **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 ("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 related party 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.

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

For the year ended 30 June 2016

## 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

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
<b>Financial assets</b>		
Loans and receivables		
Other receivables	92,337	97,025
Bank balances and cash	230,634	187,026
	<u>322,971</u>	<u>284,051</u>
<b>Financial liabilities</b>		
Amortised cost		
Other payables	2,893,264	3,318,097
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
	<u>85,411,901</u>	<u>85,831,210</u>

### Financial risk management objectives and policies

The Group's major financial instruments include other receivables, bank balances and cash, other payables, amount due to an intermediate holding company, amount due to a fellow subsidiary, amount due to a related party and bank overdrafts. 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.

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

For the year ended 30 June 2016

## 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:

	<b>2016</b>	2015
	<b>HK\$</b>	<b>HK\$</b>
<b>Assets</b>		
United States Dollars ("USD")	<b>374</b>	498

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 therefore no sensitivity analysis has been prepared.

#### *Credit risk*

The Group's credit risk on liquid funds are limited because majority of 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 and bank overdrafts. The directors of the Company consider the Group's exposure of the short-term bank balances and bank overdrafts to interest rate risk is not significant as interest bearing bank balances and bank overdrafts are with short maturity.

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

For the year ended 30 June 2016

## 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 HK\$	Less than 1 year HK\$	Total undiscounted cash flows and carrying amounts HK\$
<b>At 30 June 2016</b>				
<i>Non-derivative financial liabilities</i>				
Other payables	N/A	–	2,893,264	2,893,264
Amount due to an intermediate holding company	N/A	82,337,185	–	82,337,185
Amount due to a fellow subsidiary	N/A	43,423	–	43,423
Amount due to a related party	N/A	94,854	–	94,854
Bank overdrafts	5.00	43,175	–	43,175
		82,518,637	2,893,264	85,411,901
		82,518,637	2,893,264	85,411,901

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

For the year ended 30 June 2016

## 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 HK\$	Less than 1 year HK\$	Total undiscounted cash flows and carrying amounts HK\$
<b>At 30 June 2015</b>				
<i>Non-derivative financial liabilities</i>				
Other payables	N/A	–	3,318,097	3,318,097
Amount due to an intermediate holding company	N/A	82,287,185	–	82,287,185
Amount due to a related party	N/A	150,311	–	150,311
Bank overdrafts	5.00	75,617	–	75,617
		<u>82,513,113</u>	<u>3,318,097</u>	<u>85,831,210</u>

#### 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.

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

For the year ended 30 June 2016

## 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.

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. OTHER INCOME, GAINS AND LOSSES

	<b>2016</b>	2015
	<b>HK\$</b>	<b>HK\$</b>
Interest income	<b>64</b>	279
Write-off of amount due from a fellow subsidiary	–	(6,880,959)
	<u>64</u>	<u>(6,880,680)</u>

## 10. 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.

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

For the year ended 30 June 2016

### 10. TAXATION (Cont'd)

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

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
Profit (loss) before taxation	<b>269,193</b>	(8,964,112)
Tax charge (credit) at Hong Kong Profits Tax rate of 16.5%	<b>44,416</b>	(1,479,078)
Tax effect of expenses not deductible for tax purposes	<b>18,532</b>	1,178,394
Tax effect of income not taxable for tax purposes	<b>(11)</b>	(9)
Tax effect of tax losses not recognised	–	273,357
Utilisation of tax loss previously not recognised	<b>(57,215)</b>	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	<b>(5,722)</b>	27,336
Taxation for the year	–	–

At 30 June 2016, the Group has unused tax losses of approximately HK\$33,806,000 (2015: HK\$34,187,000) 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.

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

For the year ended 30 June 2016

## 11. PROFIT (LOSS) FOR THE YEAR

	<b>2016</b>	2015
	<b>HK\$</b>	<b>HK\$</b>
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration	–	–
Other staff costs	–	517,383
Other staff's contribution to retirement benefit scheme	–	10,904
	<u>–</u>	<u>528,287</u>
Auditor's remuneration	<b>50,000</b>	50,000
Depreciation on property, plant and equipment	<b>24,401</b>	20,520
Write-off of amount due from a fellow subsidiary	–	6,880,959
and after crediting:		
Interest income	<b>64</b>	279
	<u><u>64</u></u>	<u><u>279</u></u>



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

For the year ended 30 June 2016

## 12. 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 (2015: four) directors of the Company were as follows:

	<b>Oung Shih Hua, James HK\$</b>	<b>2016 Shin Wing Leung, Warren HK\$</b>	<b>Total HK\$</b>
Directors' fees	—	—	—
Other emoluments:			
Salaries and other benefits	—	—	—
Retirement benefit scheme contributions	—	—	—
	—	—	—
Total	—	—	—

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

For the year ended 30 June 2016

## 12. DIRECTORS' EMOLUMENTS (Cont'd)

	2015				
	Oung Shih Hua, James <i>HK\$</i>	Shin Wing Leung, Warren <i>HK\$</i>	Oung Da Ming <i>HK\$</i> <i>(note)</i>	Chen Te Kuang, Mike <i>HK\$</i> <i>(note)</i>	Total <i>HK\$</i>
Directors' fees	-	-	-	-	-
Other emoluments:					
Salaries and other benefits	-	-	-	-	-
Retirement benefit scheme contributions	-	-	-	-	-
	-	-	-	-	-
Total	-	-	-	-	-

*Note:* The directors have resigned during the year.

## 13. 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 <i>HK\$</i>	2015 <i>HK\$</i>
Earnings (loss)		
Earnings (loss) for the purposes of basic earnings (loss) per share	<b>269,193</b>	(8,964,112)
Number of shares		
Number of shares for the purposes of basic earnings (loss) per share	<b>259,763,430</b>	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.

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

For the year ended 30 June 2016

## 14. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles HK\$	Furniture, fixture and equipment HK\$	Computers HK\$	Machineries HK\$	Total HK\$
<b>THE GROUP</b>					
<b>COST</b>					
At 1 July 2014	247,316	24,463	276,339	427,553	975,671
Addition	–	7,513	34,207	–	41,720
Exchange realignment	(86,612)	(2,794)	(29,407)	(149,733)	(268,546)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	160,704	29,182	281,139	277,820	748,845
Exchange realignment	(59,292)	(1,335)	(19,700)	(102,502)	(182,829)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	101,412	27,847	261,439	175,318	566,016
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1 July 2014	247,316	12,741	248,909	427,553	936,519
Provided for the year	–	2,900	17,620	–	20,520
Exchange realignment	(86,612)	(1,322)	(29,406)	(149,733)	(267,073)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	160,704	14,319	237,123	277,820	689,966
Provided for the year	–	2,327	22,074	–	24,401
Exchange realignment	(59,292)	(555)	(19,700)	(102,502)	(182,049)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2016	101,412	16,091	239,497	175,318	532,318
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>CARRYING VALUES</b>					
At 30 June 2016	–	11,756	21,942	–	33,698
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2015	–	14,863	44,016	–	58,879
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

For the year ended 30 June 2016

## 14. 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%

## 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% (2015: 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.

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
USD	<b>374</b>	498

## 16. AMOUNTS DUE TO GROUP COMPANIES

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

## 17. AMOUNT DUE TO A RELATED PARTY

The amount represents amount due to a former director, Oung Da Ming, in which the amount is unsecured, interest-free and repayable on demand.

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

For the year ended 30 June 2016

## 18. SHARE CAPITAL

HK\$

Issued and fully paid:

At 1 July 2014, 30 June 2015 and 30 June 2016

– 259,763,430 ordinary shares with no par value

2,597,634

## 19. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2015, amounts due from fellow subsidiaries of HK\$42,966,939 and amount due to a fellow subsidiary of HK\$113,493,933 were wholly offset by and transferred to the amount due to an intermediate holding company, respectively.

## 20. OPERATING LEASES

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

	The Group as lessee	
	2016	2015
	HK\$	HK\$
Within one year	–	137,077
In the second to fifth years inclusive	–	69,498
	<hr/>	<hr/>
	–	206,575
	<hr/> <hr/>	<hr/> <hr/>

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.

## 21. RELATED PARTY TRANSACTIONS

The management of the Company regards the key management as the directors and their emoluments are set out in notes 11 and 12.

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

For the year ended 30 June 2016

## 22. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Non-current assets		
Investment in subsidiaries	<u>68,061,700</u>	<u>68,061,700</u>
Current assets		
Other receivables and prepayments	3,381	3,381
Bank balances and cash	<u>162,050</u>	<u>163,234</u>
	<u>165,431</u>	<u>166,615</u>
Current liabilities		
Other payables and accruals	50,000	50,000
Amount due to an intermediate holding company	82,337,185	82,287,185
Amount due to a fellow subsidiary	<u>43,423</u>	<u>–</u>
	<u>82,430,608</u>	<u>82,337,185</u>
Net current liabilities	<u>(82,265,177)</u>	<u>(82,170,570)</u>
Net liabilities	<u>(14,203,477)</u>	<u>(14,108,870)</u>
Capital and reserves		
Share capital	2,597,634	2,597,634
Reserves (Note)	<u>(16,801,111)</u>	<u>(16,706,504)</u>
Deficiency of shareholder's fund	<u>(14,203,477)</u>	<u>(14,108,870)</u>

Approved and authorised for issue by the Board of Directors on 30 September 2016.

**Oung Shih Hua, James**  
*DIRECTOR*

**Shin Wing Leung, Warren**  
*DIRECTOR*

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

For the year ended 30 June 2016

### 22. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Cont'd)

Note: Movement in reserves of the Company is set out below:

	<b>Accumulated losses HK\$</b>	<b>Total HK\$</b>
At 1 July 2014	(9,739,067)	(9,739,067)
Loss and total comprehensive expense for the year	(6,967,437)	(6,967,437)
	<hr/>	<hr/>
At 30 June 2015	(16,706,504)	(16,706,504)
Loss and total comprehensive expense for the year	(94,607)	(94,607)
	<hr/>	<hr/>
At 30 June 2016	<u>(16,801,111)</u>	<u>(16,801,111)</u>

### 23. LIST OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 30 June 2016 and 30 June 2015 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 2016 and 2015	Principal activities
Sensors Integration Technology (M) SDN BHD	Malaysia	Malaysian Ringgit 1.00	100%	Inactive
LLC RPC Sensoris	Russia	Russian Rouble 1.00	100%	Inactive
Unified Color Technologies, LLC	USA	United States Dollar 1.00	100%	Provision of I.T. consultancy service