千里眼控股有限公司

TeleEye Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors of TELEEYE HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to TELEEYE HOLDINGS LIMITED. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

AUDITED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Revenue	3	**62,898**	46,635
Cost of sales		**(32,977)**	(24,961)
Gross profit		**29,921**	21,674
Other income	4	**564**	573
Selling and distribution costs		**(11,814)**	(9,353)
Administrative expenses		**(9,427)**	(6,644)
Research and development expenditure		**(4,606)**	(4,104)
Profit before taxation	5	**4,638**	2,146
Taxation	6	**(620)**	–
Profit for the year		**4,018**	2,146
Attributable to:			
Equity holders of the Company		**3,997**	2,087
Minority interests		**21**	59
		4,018	2,146
Earnings per share	7		
– Basic		**2.22 cents**	1.16 cents
– Diluted		**2.20 cents**	1.16 cents

AUDITED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**1,643**	650
Capitalised development costs		**977**	1,447
Interest in an associate		**–**	–
Available-for-sale investments		**4,179**	4,305
		6,799	6,402
Current assets			
Inventories		**7,659**	10,964
Trade and other receivables	9	**8,353**	6,565
Amount due from an associate		**–**	14
Bank balances and cash		**17,962**	11,726
		33,974	29,269
Current liabilities			
Trade and other payables	10	**4,553**	3,898
Amounts due to minority shareholders		**419**	502
Tax payables		**334**	–
		5,306	4,400
Net current assets		**28,668**	24,869
Total assets less current liabilities		**35,467**	31,271
Non-current liability			
Deferred tax liability		**271**	–
Net assets		**35,196**	31,271
Capital and reserves			
Share capital		**1,803**	1,802
Reserves		**33,558**	29,681
Equity attributable to equity holders of the Company		**35,361**	31,483
Minority interests		**(165)**	(212)
Total equity		**35,196**	31,271

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Attributable to equity holders of the Company								
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Special reserve	Accumulated losses	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2006	1,800	21,605	(85)	458	14,990	(9,736)	29,032	(248)	28,784
Exchange differences on translation of overseas operations	–	–	(196)	–	–	–	(196)	(23)	(219)
Gain on fair value changes of available-for-sale investments	–	–	–	525	–	–	525	–	525
Net (expense)/income recognised directly in equity	–	–	(196)	525	–	–	329	(23)	306
Profit for the year	–	–	–	–	–	2,087	2,087	59	2,146
Total recognised income/(expense) for the year	–	–	(196)	525	–	2,087	2,416	36	2,452
Issue of ordinary shares upon exercise of share options	2	33	–	–	–	–	35	–	35
At 30 June 2007	1,802	21,638	(281)	983	14,990	(7,649)	31,483	(212)	31,271
Exchange differences on translation of overseas operations	–	–	8	–	–	–	8	26	34
Loss on fair value changes of available-for-sale investments	–	–	–	(136)	–	–	(136)	–	(136)
Net (expense)/income recognised directly in equity	–	–	8	(136)	–	–	(128)	26	(102)
Profit for the year	–	–	–	–	–	3,997	3,997	21	4,018
Total recognised income/(expense) for the year	–	–	8	(136)	–	3,997	3,869	47	3,916
Issue of ordinary shares upon exercise of share options	1	8	–	–	–	–	9	–	9
At 30 June 2008	1,803	21,646	(273)	847	14,990	(3,652)	35,361	(165)	35,196
Attributed to an associate: At 30 June 2008 and 2007	–	–	(99)	–	–	(961)	(1,060)	–	(1,060)

Note:

The special reserve of the Group represents the difference between the aggregate of the nominal value of share capital of the subsidiaries acquired pursuant to a group reorganisation in April 2001 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Etin Tech Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

In the current year, the Group has applied, for the first time, of the following new standard, amendment and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold, less returns and allowances, to outside customers during the year.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segment by location of customers is its primary reporting format.

Geographical segment

The Group reports its primary segment information by geographical location of its customers who are principally located in Hong Kong, Singapore, other Asian countries, Middle East, Europe and Africa. Others include locations like the Americas and Australia. Segment information about these geographical markets is presented below:

2008

	Hong Kong	**Singapore**	**Other Asian countries**	**Middle East**	**Europe**	**Africa**	**Others**	**Eliminations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	7,528	4,729	9,793	9,397	19,791	9,678	1,982	–	62,898
Inter-segment sales	–	2,524	509	–	9,865	–	–	(12,898)	–
Total	7,528	7,253	10,302	9,397	29,656	9,678	1,982	(12,898)	62,898
SEGMENT RESULT	1,797	474	1,742	3,375	3,137	3,791	454	–	14,770
Unallocated corporate income									564
Unallocated corporate expenses									
– Administrative and other expenses									(6,090)
– Research and development expenditure									(4,606)
Profit before taxation									4,638
Taxation									(620)
Profit for the year									4,018

Inter-segment sales are charged at cost plus a percentage mark-up.

3. SEGMENT INFORMATION – Continued

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

2008

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	944	1,270	991	(2)	5,763	245	(6)	9,205
Unallocated corporate assets								31,568
Consolidated total assets								40,773
LIABILITIES								
Segment liabilities	1,940	148	596	252	938	138	136	4,148
Unallocated corporate liabilities								1,429
Consolidated total liabilities								5,577

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION								
Capital additions	1,154	14	–	–	498	–	–	1,666
Depreciation	459	9	14	–	190	–	–	672
Development costs capitalised	798	–	–	–	–	–	–	798
Provision for obsolete goods	(15)	(8)	211	(28)	(54)	(29)	(7)	70
Write down of inventories	146	80	319	260	512	277	63	1,657
Allowance for loan to an associate	–	–	1	–	–	–	–	1
Amortisation of capitalised development costs	1,268	–	–	–	–	–	–	1,268

3. **SEGMENT INFORMATION – Continued**

2007

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	6,077	5,108	5,616	4,976	16,662	5,318	2,878	–	46,635
Inter-segment sales	–	2,557	415	–	8,098	–	–	(11,070)	–
Total	6,077	7,665	6,031	4,976	24,760	5,318	2,878	(11,070)	46,635
SEGMENT RESULT	793	702	573	1,600	3,671	1,670	1,012	158	10,179
Unallocated corporate income									573
Unallocated corporate expenses									
– Administrative and other expenses									(4,502)
– Research and development expenditure									(4,104)
Profit for the year									2,146

Inter-segment sales are charged at cost plus a percentage mark-up.

The following is an analysis of the carrying amount of segment assets and segment liabilities, analysed by the geographical location of its customers:

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS								
Segment assets	331	911	683	73	4,623	90	(5)	6,706
Unallocated corporate assets								28,965
Consolidated total assets								35,671
LIABILITIES								
Segment liabilities	833	395	240	291	945	250	117	3,071
Unallocated corporate liabilities								1,329
Consolidated total liabilities								4,400

3. **SEGMENT INFORMATION – Continued**

2007

	Hong Kong	Singapore	Other Asian countries	Middle East	Europe	Africa	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION								
Capital additions	115	7	–	–	235	–	–	357
Depreciation	329	7	28	–	49	–	–	413
Development costs capitalised	626	–	–	–	–	–	–	626
Provision for obsolete goods	131	73	375	136	333	156	72	1,276
Allowance for loan to an associate	–	–	25	–	–	–	–	25
Amortisation of capitalised development costs	778	–	–	–	–	–	–	778

Business segments

The Group is solely engaged in research and development and sales and marketing of video surveillance systems. No further business segment information is presented as all of the Group's revenue, operating results and assets were attributable to this business segment.

4. **OTHER INCOME**

	2008	2007
	HK$'000	*HK$'000*
Other income is analysed as follows:		
Interest income from		
– bank deposits	**366**	351
– loan to an associate	**2**	3
Dividend income from listed equity securities	**136**	127
Others	**60**	92
	564	573

5. PROFIT BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging/(crediting):		
Employee benefit expense (including directors' remuneration)		
Salaries, wages and other benefits	**14,857**	12,595
Retirement benefits scheme contributions	**809**	599
	15,666	13,194
Less: Amount capitalised as development costs	**(798)**	(626)
	14,868	12,568
Allowance for bad and doubtful debts	**13**	37
Bad debts written off	**560**	–
Allowance for loan to an associate	**1**	25
Provision for obsolete goods (included in cost of sales)	**70**	1,276
Write down of inventories (included in cost of sales)	**1,657**	–
Amortisation of capitalised development costs included in research and development expenditure	**1,268**	778
Auditors' remuneration	**387**	302
Net foreign exchange gains	**(148)**	(728)
Depreciation of property, plant and equipment	**672**	413

6. TAXATION

Hong Kong profits tax is calculated at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong for the year ended 30 June 2008. No tax was payable on profit arising in Hong Kong for the years ended 30 June 2007 since the assessable profit is wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The taxation charge for the year can be reconciled to the profit before taxation in the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**4,638**	2,146
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	**765**	375
Tax effect of expenses that are not deductible for tax purposes	**477**	288
Tax effect of income that is not taxable for tax purposes	**(187)**	(381)
Utilisation of tax loss not previously recognised	**(870)**	(446)
Tax effect of deferred tax assets not recognised	**162**	164
Tax effect of temporary timing difference	**271**	–
Tax effect on different tax rate of operations in other jurisdictions	**2**	–
Taxation charge for the year	**620**	–

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company	**3,997**	2,087
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**180,298**	180,007
Effect of dilutive potential ordinary shares in respect of:		
– Share options	**1,109**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**181,407**	180,007

The share options outstanding during the year ended 30 June 2007 had an anti-dilutive effect on the basic earnings per share for the year.

8. Dividend

The Board does not recommend the payment of dividend for the year ended 30 June 2008 (2007: Nil).

9. TRADE AND OTHER RECEIVABLES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**6,457**	4,482
Less: accumulated allowances	**(116)**	(103)
	6,341	4,379
Other receivables	**2,012**	2,186
Total trade and other receivables	**8,353**	6,565

The Group allows credit period of 30 days to some of its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date prepared on the basis of payment due date of sales invoice:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current	**4,255**	3,318
1 to 3 months overdue	**1,372**	897
More than 3 months overdue	**714**	164
	6,341	4,379

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$2,392,000 (2007: HK$723,000). The following is an aged analysis of trade payables at the balance sheet date prepared on the basis of payment due date of supplier's invoice:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current	**1,830**	619
1 to 3 months overdue	**511**	104
More than 3 months overdue	**51**	–
	2,392	723

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 30 June 2008, the Group recorded a turnover of approximately HK$62,898,000, representing an increase of about 34.9% as compared with a turnover of approximately HK$46,635,000 of the preceding year. Profit attributable to shareholders for the year ended 30 June 2008 amounted to approximately HK$3,997,000 (2007: HK$2,087,000). Basic earnings per share for the year ended 30 June 2008 was HK$2.22 cents (2007: HK$1.16 cents).

As a result of the Group's business expansion, overall operating costs had increased by approximately 28.6% to HK$25,847,000 as compared to HK$20,101,000 for the year ended 30 June 2007. However, the Group's balance sheet remains strong with substantial liquidity. The growth reflects the Group's effort in the development of advance video surveillance products and the building up of the TeleEye brand worldwide.

SEGMENT INFORMATION

Europe

Europe was the largest market of the Group, whose turnover for the year ended 30 June 2008 amounted to approximately HK$19,791,000 (2007: HK$16,662,000) or 31.4% (2007: 35.7%) of the Group's turnover. TeleEye Europe Limited (a subsidiary in the UK) operates as a direct selling office commencing from April 2004. It contributed significant effort in the provision of technical and marketing support in the region. Segment result was approximately HK$3,137,000 (2007: HK$3,671,000).

Hong Kong

Turnover for the year ended 30 June 2008 amounted to approximately HK$7,528,000 (2007: HK$6,077,000) or 12% (2007: 13%) of the Group's turnover. Segment result was approximately HK$1,797,000 (2007: HK$793,000).

Other Asian Countries

Turnover for other Asian countries, excluding Hong Kong & Singapore, for the year ended 30 June 2008 amounted to approximately HK$9,793,000 (2007: HK$5,616,000) or 15.6% (2007: 12%) of the Group's turnover. Segment result was approximately HK$1,742,000 (2007: HK$573,000).

Africa

Turnover for Africa for the year ended 30 June 2008 increased by 82% to approximately HK$9,678,000 (2007: HK$5,318,000). It accounted for 15.4% (2007: 11.4%) of the Group's turnover. The increase in turnover was due to the increasing marketing efforts applied in the region. Segment result increased to approximately HK$3,791,000 (2007: HK$1,670,000).

Singapore

The turnover for Singapore for the year ended 30 June 2008 was approximately HK$4,729,000 (2007: HK$5,108,000) or 7.5% (2007: 11%) of the Group's turnover. The segment reported a result of approximately HK$474,000 (2007: HK$702,000).

Middle East

Turnover for Middle East for the year ended 30 June 2008 increased significantly to approximately HK$9,397,000 (2007: HK$4,976,000) or 14.9% (2007: 10.7%) of the Group's turnover. The segment reported a result of approximately HK$3,375,000 (2007: HK$1,600,000).

Others

Other geographical segments included the Americas and Australia. Turnover for the year ended 30 June 2008 dropped to approximately HK$1,982,000 (2007: HK$2,878,000) or 3.2% (2007: 6.2%) of the Group's total turnover. The segment reported a result of approximately HK$454,000 (2007: HK$1,012,000).

BUSINESS REVIEW

The Group is principally engaged in research and development and sales and marketing of video surveillance systems. For the financial year ended 30 June 2008, the Group succeeded in achieving growth and profitability in the highly competitive CCTV market. This reflected management's effort of providing a wide range of high-tech products and customer services to the market, and the optimisation of the Group's operational efficiency in a competitive environment. During the year, the Group continued to conduct seminars and exhibitions in various countries with a view to enhance TeleEye brand image worldwide.

Product Development

During the year, the Group has launched a range of NX series network video cameras and video server. It consists of:

- NX301 single channel network video server
- NX288 IR vandal resistance network dome
- NX173 outdoor vandal resistant network dome

Powered by SMAC-M multi-stream video compression technology, ***Tele*Eye NX** provides optimal remote surveillance through Internet, PSTN and mobile communications. The new NX series makes IP & mobile surveillance a reality. By connecting ***Tele*Eye NX301** to a mobile data modem, user can get live video via HSDPA, UMTS, EDGE or GPRS from anywhere.

The Group also launched several high end video cameras such as Weather Proof Day/Night IR camera, ***Tele*Eye SF399**, and IR Vandal Resistant Dome Camera, ***Tele*Eye DF288**. The features of new products include "DAY/NIGHT" integrated camera, built-in Aspherical Varifocal IR lens, auto-switching IR-cut filter, wider range of IR LEDs and higher ultra horizontal resolution.

Earlier in the year, the Group also introduced a range of entry level products ***Tele*Eye RN680 Series Digital Video Recorders**. ***Tele*Eye RN680** provides powerful video surveillance with simple installation and configuration. Its built-in CD writer and USB interface facilitate fast and easy video footage extraction onto a CD-ROM or USB flash drive for evidential purpose.

The Award

In Oct 2007, ***Tele*Eye RX504 Mobile Video Recording server** has won the Gold Award (Security Category) in the Hong Kong Electronic Industries Association (HKEIA) Award for Outstanding Innovation and Technology Products during the Hong Kong Electronic Fair 2007, the largest electronic exhibitions in Asia and the second largest in the world. The Group has been selected in the last consecutive 5 years as the Gold Award winner by HKEIA.

In January 2008, the Group also won the 2007 Hong Kong Top Brand Award from the Hong Kong Brand Development Council and the Chinese Manufacturer's Association. The Award aims to give recognition to outstanding brand names established by Hong Kong companies. This latest honour comes after the Gold Award (Security Category) by TeleEye Mobile Surveillance System in the HKEIA Award for Outstanding Innovation and Technology Products 2007. The recognition reaffirms that TeleEye is not only the outstanding brand in the world's market, but also the most popular CCTV surveillance system, which has received widespread acceptance in Hong Kong. This award encourages us to step up our efforts even further.

BUSINESS OUTLOOK

The global economic slow down may affect the Group's business worldwide in the coming year. The Group will however maintain its effort in developing innovative and quality products and expanding its markets. The management continues to take a conservative approach as cost control and steadily improving operation efficiency. With its strong financial position, the Group will be able to withstand the impact of the economic slowdown.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 30 June 2008 (2007: Nil).

EMPLOYEES

As at 30 June 2008, the Group employed 39 (2007: 36) full time employees in Hong Kong and 19 (2007: 16) full time employees in the PRC and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits scheme contribution amounted to approximately HK$15,666,000 (2007: HK$13,194,000).

Employees are remunerated in accordance with individual's responsibility and performance and remains competitive with the prevailing market rates. Other fringe benefits such as medical insurance, retirement benefit scheme and discretionary bonus are offered to all employees.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2008, non-interest bearing loans were outstanding to minority shareholders. The loans were to finance the operation of some of the Group's subsidiaries and were repayable on demand.

Other than the above, the Group mainly used its internal resources to finance its operations during the year. The Group has available banking facilities of HK$5 million from Hang Seng Bank and none of them had been utilized as at 30 June 2008 (30 June 2007: Nil). Consequently, the Group's gearing ratio, as a percentage of bank and other borrowings and long-term debt over total assets, as at 30 June 2008 was approximately 3% (30 June 2007: 1%).

The Group had bank balances, deposits and cash of approximately HK$17,962,000 as at 30 June 2008 (30 June 2007: HK$11,726,000)

SIGNIFICANT INVESTMENT

The Group did not make any significant new investment during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

In December 2007, the Group had disposed of an associate engaged in sales and marketing of audio and video monitoring systems in Japan for a cash consideration of JPY294 equivalent to approximately HK$21. Save as aforesaid, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies in this year.

CHARGE ON ASSETS

As at 30 June 2008, the Group did not have any charge on its assets (30 June 2007: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Up to the current moment, the Group does not have any plan for material investments or capital assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the year under review, the Group's transactions were substantially denominated in either Hong Kong, US dollars and British Pounds. Since the Hong Kong dollars are pegged to the US dollars, the Board considers that the potential foreign exchange exposure of the Group is limited. During the year under review, the Group did not use any financial instruments for hedging purposes (30 June 2007: Nil).

CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any contingent liabilities (30 June 2007: Nil).

COMPETING INTERESTS

The directors believe that none of the directors nor the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the year ended 30 June 2008 except for the following deviations:

1. Code Provision A.2.1. stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

   At present, Professsor Chan Chok Ki is both the chairman and chief executive officer of the Company who is responsible for managing the Board and the Group's business. Professor Chan has been both the chairman and chief executive officer of the Company since its incorporation. The Board considers that Professor Chan has in-depth knowledge in the Group's business and can make appropriate decisions promptly and efficiently. The combination of the roles of chairman and chief executive officer can effectively formulate and implement the Group's strategies. The Board also consider that this structure will not impair the balance of power and authority between the Board and the management of the Company as the board of directors, which comprises experienced and high caliber individuals, meets regularly to discuss issues affecting the operations of the Group. The Group considered that, at its present size, there is no imminent need to segregate the role of chairman and chief executive officer.

2. Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code Provision A.4.2 stipulates that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   At present, the independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association. In addition, not every director is subject to retirement by rotation at least once every three years. Directors are subject to rotation in accordance with the Articles of Association of the Company (that at each annual general meeting, one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not greater than one-third, shall retire from office) provided that notwithstanding anything therein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such, with the exception of the chairman, all directors are subject to retirement by rotation in accordance with the Company's Articles of Association. The Board considers that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. Therefore, for stability reasons, there is no imminent need to amend the Articles of Association of the Company.

A Corporate Governance Report will be dispatched with the annual report of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 30 June 2008, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee has four members comprising the three independent non-executive directors, namely Professor Ching Pak Chung, Professor Siu Wan Chi and Mr. Yu Hon To, David and one non-executive director, namely Dr. Chan Cheung Fat.

The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the board of directors. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

The audit committee held four meetings during the year ended 30 June 2008.

REMUNERATION COMMITTEE

The remuneration committee comprises two independent non-executive directors, namely Professor Siu Wan Chi and Professor Ching Pak Chung, and one non-executive director, namely, Dr. Chan Cheung Fat.

The primary duties of the remuneration committee are to formulate and make recommendations to the Board on the Company's policy and structure for all the remuneration of the Directors and Senior Management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

The remuneration committee held one meeting during the financial year under review. The committee has considered and reviewed the existing terms of service contracts of the Directors and considers that the existing terms of the service contracts are fair and reasonable.

By order of the Board
PROFESSOR CHAN CHOK KI
Chairman and Chief Executive Officer

Hong Kong, 12 September 2008

As at the date hereof, the executive Directors are Professor Chan Chok Ki (Chairman of the Company), Dr. Ma Chi Kit and Mr. Ho Ka Ho; the non-executive Director is Dr. Chan Cheung Fat; and the independent non-executive Directors are Professor Siu Wan Chi, Mr. Yu Hon To, David, and Professor Ching Pak Chung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its posting and on the website of the Company at www.teleeye.com.hk.