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 2012

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 Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of TeleEye Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors ("Directors"), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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 STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	3	**37,425**	45,693
Cost of sales		**(20,949)**	(22,117)
Gross profit		**16,476**	23,576
Other income	4	**284**	211
Selling and distribution costs		**(9,701)**	(9,426)
Administrative expenses		**(8,455)**	(7,463)
Research and development expenditure		**(5,348)**	(5,579)
(Loss)/Profit before taxation	5	**(6,744)**	1,319
Income tax credit/(expense)	6	**498**	(140)
(Loss)/Profit for the year		**(6,246)**	1,179
Other comprehensive (expense)/income:			
Exchange differences arising on translating foreign operations		**(229)**	209
Change in fair value on available-for-sale investments		**(955)**	1,393
Other comprehensive (expense)/income for the year		**(1,184)**	1,602
Total comprehensive (expense)/income for the year		**(7,430)**	2,781
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(6,182)**	1,206
Non-controlling interests		**(64)**	(27)
		(6,246)	1,179
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(7,372)**	2,817
Non-controlling interests		**(58)**	(36)
		(7,430)	2,781
(Loss)/Earnings per share	7		
— Basic		**(68.39) cents**	13.36 cents
— Diluted		**(68.39) cents**	13.21 cents

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**836**	1,339
Capitalised development costs		**2,748**	2,207
Available-for-sale investments		**5,213**	6,168
		8,797	9,714
Current assets			
Inventories		**10,364**	14,122
Trade and other receivables	*9*	**4,584**	5,312
Bills receivables	*9*	**—**	373
Tax recoverable		**206**	—
Bank balances and cash		**14,431**	15,719
		29,585	35,526
Current liabilities			
Trade and other payables	*10*	**4,390**	3,321
Tax payables		**149**	147
		4,539	3,468
Net current assets		**25,046**	32,058
Total assets less current liabilities		**33,843**	41,772
Non-current liability			
Deferred tax liabilities		**—**	499
Net assets		**33,843**	41,273
Capital and reserves			
Share capital		**1,808**	1,808
Reserves		**32,270**	39,642
Equity attributable to owners of the Company		**34,078**	41,450
Non-controlling interests		**(235)**	(177)
Total equity		**33,843**	41,273

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Share options reserve HK$'000	Special reserve HK$'000 (Note)	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2010	1,803	21,646	(111)	(640)	1,102	14,990	(253)	38,537	(141)	38,396
Profit/(Loss) for the year	–	–	–	–	–	–	1,206	1,206	(27)	1,179
Other comprehensive income/(expense) for the year	–	–	218	1,393	–	–	–	1,611	(9)	1,602
Total comprehensive income/(expense) for the year	–	–	218	1,393	–	–	1,206	2,817	(36)	2,781
Issue of ordinary shares upon exercise of share options	5	171	–	–	(80)	–	–	96	–	96
At 30 June 2011	1,808	21,817	107	753	1,022	14,990	953	41,450	(177)	41,273
Loss for the year	–	–	–	–	–	–	(6,182)	(6,182)	(64)	(6,246)
Other comprehensive (expense)/income for the year	–	–	(235)	(955)	–	–	–	(1,190)	6	(1,184)
Total comprehensive expense for the year	–	–	(235)	(955)	–	–	(6,182)	(7,372)	(58)	(7,430)
At 30 June 2012	**1,808**	**21,817**	**(128)**	**(202)**	**1,022**	**14,990**	**(5,229)**	**34,078**	**(235)**	**33,843**

Note:

The special reserve 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 TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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")

New and revised HKFRSs applied in current year

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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.

The Directors anticipate that HKFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 July 2015. Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2012, the adoption of HKFRS 9 is not expected to have material impact on the consolidated financial statements.

New and revised standards on consolidation and disclosures

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

HKFRS 10 and HKFRS 12 are effective for annual periods beginning on or after 1 January 2013.

The Directors anticipate that HKFRS 10 and HKFRS 12 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013. The application of HKFRS 10 will have no material impact on the consolidated financial statements. The application of HKFRS 12 may result in more extensive disclosures in the consolidated financial statements.

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

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

The Group's reportable and operating segment have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive ("Executive") Directors of the Company, being the chief operating decision maker of the Group, for the purpose of resource allocation and assessment of segment performance.

The Executive Directors regularly review revenue and overall operating results derived from research and development and sales and marketing of video monitoring systems and consider them as one single reportable and operating segment.

Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and the United Kingdom ("UK").

Information about the Group's revenue from external customers is presented based on the geographical location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia	**22,658**	22,584	**3,480**	3,385
Europe	**6,540**	11,336	**104**	161
Africa	**6,713**	9,656	**—**	—
Others	**1,514**	2,117	**—**	—
	37,425	45,693	**3,584**	3,546

Note: Non-current assets exclude available-for-sale investments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**5,954**	8,103

4. OTHER INCOME

Other income is analysed as follows:

	2012	2011
	HK$'000	*HK$'000*
Dividend income from listed equity securities	**262**	194
Interest income from bank deposits	**1**	1
Others	**21**	16
	284	211

5. (LOSS)/PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
(Loss)/Profit before taxation has been arrived at after charging/ (crediting):		
Staff salaries and other benefits (including directors' remuneration)	**16,404**	16,569
Retirement benefits schemes contributions	**657**	566
Total staff costs	**17,061**	17,135
Less: Amount capitalised as development costs	**(1,450)**	(1,303)
	15,611	15,832
Allowance/(Reversal of allowance) for bad and doubtful debts	**238**	(85)
Allowance for obsolete stocks (included in cost of sales)	**848**	106
Amortisation of capitalised development costs (included in research and development expenditure)	**909**	737
Auditors' remuneration	**321**	311
Depreciation of property, plant and equipment	**644**	619
Gain on disposal of property, plant and equipment	**—**	(196)
Net foreign exchange losses/(gains)	**2**	(664)
Write down of inventories (included in cost of sales)	**493**	446

6. INCOME TAX (CREDIT)/EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current year	—	232
Under/(Over) provision in respect of prior years	1	(192)
	1	40
Deferred tax		
Current year	(499)	100
	(498)	140

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

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

The tax (credit)/charge for the year can be reconciled to the (loss)/profit per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	*HK$'000*
(Loss)/Profit before taxation	(6,744)	1,319
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	(1,113)	218
Tax effect of expenses not deductible for tax purpose	502	109
Tax effect of income not taxable for tax purpose	(427)	(148)
Tax effect of tax losses not recognised	660	177
Under/(Over) provision in respect of prior years	1	(192)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(121)	(35)
Others	—	11
Tax (credit)/charge for the year	(498)	140

7. (LOSS)/EARNINGS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
(Loss)/Earnings		
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share ((Loss)/Profit for the year attributable to owners of the Company)	**(6,182)**	1,206
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**9,039**	9,027
Effect of dilutive potential ordinary shares:		
— Share options	**—**	100
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**9,039**	9,127

The computation of diluted loss per share for the year ended 30 June 2012 does not assume the exercise of the Company's share options since their exercise would result in decrease in loss per share.

8. DIVIDEND

The board of directors ("Board") does not recommend the payment of dividend for the year ended 30 June 2012 (2011: Nil).

9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**3,234**	3,900
Less: Allowance for bad and doubtful debts	**(172)**	(90)
	3,062	3,810
Prepayments, deposits and other receivables	**1,522**	1,502
	4,584	5,312

9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES (CONTINUED)

The Group allows an average credit period of one month to certain of its trade customers. The following is an ageing analysis of trade receivables (net of allowance for bad and doubtful debts) at the end of the reporting period prepared on the basis of payment due date of sales invoice:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current	**2,634**	3,236
1 to 3 months overdue	**407**	537
More than 3 months overdue	**21**	37
	3,062	3,810

All bills receivables of the Group at 30 June 2011 are aged within one month at the end of the reporting period.

10. TRADE AND OTHER PAYABLES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Trade payables	**2,763**	1,809
Accruals and other payables	**1,627**	1,512
	4,390	3,321

The following is an ageing analysis of trade payables at the end of the reporting period prepared on the basis of payment due date of supplier's invoice:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current	**2,216**	1,554
1 to 3 months overdue	**413**	170
More than 3 months overdue	**134**	85
	2,763	1,809

The normal credit period on purchases of goods is one month.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 30 June 2012, the Group recorded a turnover of approximately HK$37,425,000, representing a decrease of about 18% as compared with the turnover of about HK$45,693,000 of the preceding year. Loss attributable to the owners of the Company for the year ended 30 June 2012 amounted to approximately HK$6,182,000 as compared with a profit of approximately HK$1,206,000 attributable to the owners of the Company for the same period in last year. Basic loss per share for the year ended 30 June 2012 was 68.39 HK cents (2011: 13.36 HK cents of basic earnings per share).

As a result of the Group's tight control on overhead costs, overall operating costs during the year slightly increased to HK$23,504,000 as compared to HK$22,468,000 in the previous year. The Group's financial position remains strong with substantial liquidity.

BUSINESS REVIEW

In the beginning of 2012, the Group launched the GX series of High Definition ("HD") Video Recording Servers to complete its HD video surveillance product line. The sales of TeleEye HD products grew substantially since then. The sales revenue of HD products in the fourth quarter of this financial year represented about a quarter of total sales revenue of this quarter as compared to only 2% achieved in the corresponding period of the previous year. The drop in sales revenue recorded this year was mainly in the sales of analog video surveillance products under fierce price competition and weak market demand.

Our marketing and sales team actively promoted the new HD products through activities such as exhibitions, product launching events, seminars, workshops, direct electronic mailings, advertisements and publicities. Many reference stories on the usage of TeleEye HD products were disseminated through our overseas channels. Growth in the sales of HD products was encouraging given the poor economic situation this year.

SEGMENT INFORMATION

Asia

As the social unrest in Middle East settled down, business in Asia as a whole remained stable. Turnover for Asia (inclusive of Hong Kong, Singapore, Middle East and other Asian countries) as a whole for the year ended 30 June 2012 was approximately HK$22,658,000 as compared to about HK$22,584,000 achieved in the preceding year. It accounted for 61% (2011: 49%) of the Group's turnover.

Europe

The worsening of the sovereignty debt crisis in Europe seriously affected our business in this region. Turnover for Europe for the year ended 30 June 2012 dropped by 42% to approximately HK$6,540,000 (2011: HK$11,336,000). It accounted for 17% (2011: 25%) of the Group's turnover.

Africa

Business in Africa mainly came from South Africa and Mauritius. Currency fluctuation and fierce price competition hurt our sales in the region. Turnover for Africa for this year decreased by 30% to approximately HK$6,713,000 (2011: HK$9,656,000). It accounted for 18% (2011: 21%) of the Group's turnover.

Others

Other geographic segments mainly included the Americas and Australia. It has contributed to about 4% (2011: 5%) of the Group's total turnover this year, which amounted to approximately HK$1,514,000 (2011: HK$2,117,000).

PRODUCT DEVELOPMENT

During the year, we have launched three models of TeleEye GX HD video recording servers, six models of TeleEye MX HD cameras and their network accessories to complete our line up of HD video surveillance products. The GX series incorporates a patented video technology developed in-house. Using the TeleEye GX together with TeleEye MX HD cameras, customers can easily implement a fully digital HD video surveillance system.

TeleEye MX763 HD camera with our special "hacker-resistant" technology was selected by the renowned UK Judging Panel to be one of the top six finalists in the "Camera of the year" award organized by IFSEC 2012, the premier exhibition of professional security equipment. Once again, TeleEye is recognized as a pioneer in innovative technology for video surveillance.

BUSINESS OUTLOOK

The prolonged poor economy in major developed countries will unlikely be improved soon while excess liquidity in Hong Kong is driving up inflation. The situation will continue to be challenging for export-oriented business.

With initial encouraging result in TeleEye HD product line, we will maintain our research and development effort and launch more HD products in order to further enrich our HD product line. We will build up and maintain a comprehensive product line in HD video surveillance. Furthermore, we will strengthen our control on sales channels and improve our operation efficiency and customer service. With our dedicated team, we are cautiously optimistic about the Group's business in the coming year.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 30 June 2012 (2011: Nil).

EMPLOYEE INFORMATION

As at 30 June 2012, the Group employed 46 (2011: 44) full time employees in Hong Kong and 12 (2011: 12) full time employees in China and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits schemes contributions amounted to approximately HK$17,061,000 (2011: HK$17,135,000).

Employees are remunerated in accordance with individual's responsibility and performance, which remain competitive with the prevailing market rates. Other fringe benefits such as medical insurance, retirement benefits schemes and discretionary bonus are offered to all employees. Share options are granted at the Directors' discretion and under the terms and conditions of share option schemes.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group mainly used its internal resources to finance its operations during the year. The Group had bank balances, deposits and cash of approximately HK$14,431,000 as at 30 June 2012 (30 June 2011: HK$15,719,000). The Group's gearing ratio, as a percentage of bank and other borrowings and long term debt over total assets, as at 30 June 2012 was 0% (30 June 2011: 0%).

CAPITAL STRUCTURE

The Group did not have any borrowings during the year.

SIGNIFICANT INVESTMENT

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies.

CHARGE ON ASSETS

As at 30 June 2012, the Group did not have any charge on its assets (30 June 2011: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Up to the current moment, the Group does not have any other 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 dollars, United States dollars and British Pounds. The Group did not use any financial instruments for hedging purposes (30 June 2011: Nil).

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any contingent liabilities (30 June 2011: Nil).

COMPETITION AND CONFLICT OF 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 or any other conflicts of interests which any such person has or may have with the Group.

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

During the year under review, 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 2012 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, Prof. 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. Prof. Chan has been both the Chairman and Chief Executive Officer of the Company since its incorporation. The Board considers that Prof. 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 considers 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 considers that, at its present size, there is no imminent need to segregate the roles of Chairman and Chief Executive Officer.

2. Code Provision A.4.1 stipulates that non-executive ("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 ("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 2012, 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, Mr. Yu Hon To, David, Prof. Siu Wan Chi and Prof. Ching Pak Chung 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 comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting 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 2012.

REMUNERATION COMMITTEE

The remuneration committee has three members comprising two Independent Non-Executive Directors, namely, Prof. Siu Wan Chi and Prof. 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.

NOMINATION COMMITTEE

The nomination committee has three members comprising two Independent Non-Executive Directors, namely, Prof. Siu Wan Chi and Prof. Ching Pak Chung and one Executive Director, namely, Prof. Chan Chok Ki.

The primary duties of the nomination committee are to select and nominate individuals for directorship as well as making recommendations to the Board on nomination policy.

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

Hong Kong, 14 September 2012

As at the date hereof, the Executive Directors are Prof. 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 Mr. Yu Hon To, David, Prof. Siu Wan Chi and Prof. Ching Pak Chung.

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