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 2013

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 ("Directors" and each a "Director") 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, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	3	**39,159**	37,425
Cost of sales		**(22,691)**	(20,949)
Gross profit		**16,468**	16,476
Other income	4	**382**	284
Selling and distribution costs		**(9,123)**	(9,701)
Administrative expenses		**(8,278)**	(8,455)
Research and development expenditure		**(4,814)**	(5,348)
Loss before taxation	5	**(5,365)**	(6,744)
Income tax credit	6	**13**	498
Loss for the year		**(5,352)**	(6,246)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(61)**	(229)
Change in fair value on available-for-sale investments		**1,065**	(955)
Other comprehensive income/(expense) for the year		**1,004**	(1,184)
Total comprehensive expense for the year		**(4,348)**	(7,430)
Loss for the year attributable to:			
Owners of the Company		**(5,268)**	(6,182)
Non-controlling interests		**(84)**	(64)
		(5,352)	(6,246)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(4,274)**	(7,372)
Non-controlling interests		**(74)**	(58)
		(4,348)	(7,430)
			(Restated)
Loss per share	7		
— Basic		**42 cents**	54 cents
— Diluted		**42 cents**	54 cents

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**379**	836
Capitalised development costs		**2,980**	2,748
Available-for-sale investments		**6,278**	5,213
		9,637	8,797
Current assets			
Inventories		**10,824**	10,364
Trade and other receivables	*9*	**4,389**	4,584
Tax recoverable		—	206
Bank balances and cash		**14,692**	14,431
		29,905	29,585
Current liabilities			
Trade and other payables	*10*	**4,455**	4,390
Tax payables		—	149
		4,455	4,539
Net current assets		**25,450**	25,046
Total assets less current liabilities		**35,087**	33,843
Capital and reserves			
Share capital		**2,713**	1,808
Reserves		**32,683**	32,270
Equity attributable to owners of the Company		**35,396**	34,078
Non-controlling interests		**(309)**	(235)
Total equity		**35,087**	33,843

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	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 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										
Exchange differences arising on translating foreign operations	–	–	(235)	–	–	–	–	(235)	6	(229)
Change in fair value on available-for-sale investments	–	–	–	(955)	–	–	–	(955)	–	(955)
	–	–	(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
Loss for the year	–	–	–	–	–	–	(5,268)	(5,268)	(84)	(5,352)
Other comprehensive (expense)/ income for the year										
Exchange differences arising on translating foreign operations	–	–	(71)	–	–	–	–	(71)	10	(61)
Change in fair value on available-for-sale investments	–	–	–	1,065	–	–	–	1,065	–	1,065
	–	–	(71)	1,065	–	–	–	994	10	1,004
Total comprehensive (expense)/ income for the year	–	–	(71)	1,065	–	–	(5,268)	(4,274)	(74)	(4,348)
Issue of ordinary shares upon exercise of share options	1	30	–	–	(17)	–	–	14	–	14
Issue of ordinary shares by way of open offer	904	4,674	–	–	–	–	–	5,578	–	5,578
Share options lapsed	–	–	–	–	(20)	–	20	–	–	–
At 30 June 2013	**2,713**	**26,521**	**(199)**	**863**	**985**	**14,990**	**(10,477)**	**35,396**	**(309)**	**35,087**

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 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.

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 the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the amendments to 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.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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]

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
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]
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[2]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[2]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[2]
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC)–Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

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:

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.

The Directors anticipate that HKFRS 9 will be adopted in the Group's consolidated 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 2013, the adoption of HKFRS 9 is not expected to have material impact on the consolidated financial statements.

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

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. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first time.

The Directors anticipate that HKFRS 10 and HKFRS 12, together with the amendments relating to the transitional guidance, 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.

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.

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 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.

The Directors 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, 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 surveillance 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.

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**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia	**27,634**	22,658	**3,303**	3,480
Europe	**5,714**	6,540	**56**	104
Africa	**4,712**	6,713	**—**	—
Others	**1,099**	1,514	**—**	—
	39,159	37,425	**3,359**	3,584

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:

	2013	2012
	HK$'000	*HK$'000*
Customer A	**4,398**	5,954
Customer B	**4,877**	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. OTHER INCOME

Other income is analysed as follows:

	2013	2012
	HK$'000	*HK$'000*
Dividend income from listed equity securities	**264**	262
Interest income from bank deposits	**1**	1
Bad debt recovery	**42**	—
Others	**75**	21
	382	284

5. LOSS BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff salaries and other benefits (including directors' remuneration)	**15,383**	16,404
Retirement benefits schemes contributions	**639**	657
Total staff costs	**16,022**	17,061
Less: Amount capitalised as development costs	**(1,229)**	(1,450)
	14,793	15,611
Allowance for bad and doubtful debts	**202**	238
Amortisation of capitalised development costs (included in research and development expenditure)	**997**	909
Auditors' remuneration	**322**	321
Depreciation of property, plant and equipment	**540**	644
Loss on disposal of property, plant and equipment	**6**	—
Net foreign exchange (gain)/loss	**(9)**	2
(Reversal of allowance)/Allowance for obsolete stocks (included in cost of sales)	**(659)**	848
Write down of inventories (included in cost of sales)	**519**	493

6. INCOME TAX CREDIT

	2013	2012
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
(Over)/Under provision in respect of prior years	**(13)**	1
Deferred tax		
Current year	**—**	(499)
	(13)	(498)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No Hong Kong Profits Tax is provided as there was no assessable profit for both years.

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

The tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation	**(5,365)**	(6,744)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(885)**	(1,113)
Tax effect of expenses not deductible for tax purpose	**28**	502
Tax effect of income not taxable for tax purpose	**(186)**	(427)
Tax effect of tax losses not recognised	**1,187**	660
(Over)/Under provision in respect of prior years	**(13)**	1
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(144)**	(121)
Tax credit for the year	**(13)**	(498)

7. LOSS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(5,268)**	(6,182)
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**12,492**	11,517

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for both years has been adjusted for the effect of bonus element in connection with the open offer in January 2013.

The computation of diluted loss per share for both years 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 2013 (2012: Nil).

9. TRADE AND OTHER RECEIVABLES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**3,778**	3,234
Less: Allowance for bad and doubtful debts	**(363)**	(172)
	3,415	3,062
Prepayments, deposits and other receivables	**974**	1,522
Total trade and other receivables	**4,389**	4,584

9. TRADE AND OTHER 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	
	2013	2012
	HK$'000	*HK$'000*
Current	**2,340**	2,634
Less than 3 months overdue	**1,029**	407
More than 3 months overdue	**46**	21
	3,415	3,062

10. TRADE AND OTHER PAYABLES

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trade payables	**2,553**	2,763
Accruals and other payables	**1,902**	1,627
Total trade and other payables	**4,455**	4,390

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	
	2013	2012
	HK$'000	*HK$'000*
Current	**1,966**	2,216
Less than 3 months overdue	**498**	413
More than 3 months overdue	**89**	134
	2,553	2,763

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 30 June 2013, the Group recorded a turnover of approximately HK$39,159,000, representing an increase of about 5% as compared with the turnover of about HK$37,425,000 of the preceding year. Loss attributable to the owners of the Company for the year ended 30 June 2013 amounted to approximately HK$5,268,000, representing a decrease of approximately 15% when compared with last year. Basic loss per share for the year ended 30 June 2013 was 42 HK cents (2012: 54 HK cents).

As a result of the Group's tight control on overhead costs, overall operating costs during the year slightly decreased to HK$22,215,000 as compared to HK$23,504,000 in the previous year. The Group's financial position remains strong with substantial liquidity.

BUSINESS REVIEW

In the year under review, we recorded a substantial growth in the business of high definition ("HD") video products and a slight drop in the business of traditional standard definition ("SD") video products. Given the current economic situation and the large price differential between HD and SD products, the adoption of the latest HD technology was slower than expectation. While high-end customers such as jewellery shops and banks are more willing to pay for the better quality HD products, the others are price sensitive and more likely to choose the lower priced SD alternatives. Despite the growth of HD product sales, severe competition in the SD product area not only reduced our margin but also hindered the growth of our business. Hence, we only achieved a single digit growth in revenue in this financial year.

SEGMENT INFORMATION

Asia

The growth was partly attributed to the acceptance of our higher priced new HD products in the region. Turnover for Asia (inclusive of Hong Kong, Singapore, Middle East and other Asian countries) as a whole for the year ended 30 June 2013 increased by 22% to approximately HK$27,634,000 (2012: HK$22,658,000). It accounted for 70% (2012: 61%) of the Group's turnover.

Europe

The recession in Europe continued to hurt our business there. Turnover for Europe for the year ended 30 June 2013 dropped by 13% to approximately HK$5,714,000 (2012: HK$6,540,000). It accounted for 15% (2012: 17%) of the Group's turnover.

Africa

Business in Africa mainly came from South Africa and Mauritius. Turnover for Africa for this year decreased by 30% to approximately HK$4,712,000 (2012: HK$6,713,000). It accounted for 12% (2012: 18%) of the Group's turnover.

Others

Other geographic segments mainly included the Americas and Australia. It has contributed to about 3% (2012: 4%) of the Group's total turnover this year, which amounted to approximately HK$1,099,000 (2012: HK$1,514,000).

PRODUCT DEVELOPMENT

During the year, we have expanded the models of TeleEye GX HD Video Recording Servers from an existing three to six. We have also successfully launched our first HD network speed dome model and three new models of HD network cameras. Now, we have a strong product line that comprises of twelve HD network camera models to fulfil various project requirements.

To satisfy large-scale HD recording needs, we have introduced the sureREC HD Recorder that can incorporate a large number of hard disks configured as a redundancy array. In addition to the network-based HD products, three new products using HD-SDI technology were also launched.

In the SD area, we have introduced an eight-channel mobile video recording server, five models of digital video recorders and nine new SD cameras.

Since July 2012, we have successfully registered two patents for our inventions in HD technology.

BUSINESS OUTLOOK

There are signs of economic recovery in major developed countries. This would encourage more companies to upgrade their video surveillance systems. We are expanding our sales and marketing team to drive for growth, and will focus on strengthening our sales channels to capture more business especially in HD surveillance area. We also target to develop new sales channels so as to penetrate the world market in a broader and deeper manner.

On the other hand, we will continue to improve our operation and marketing efficiency by using web-based technology. We have launched a fully automatic web-based ordering system for our sureLINK service. More products will be added into the system.

We remain cautiously optimistic that the business in Europe and Africa will return to growth as the global economic environment improves. The business in Asia will remain strong with our HD products gaining higher penetration into its regional markets. We will strive for an overall growth in business in the coming year.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 30 June 2013 (2012: Nil).

EMPLOYEE INFORMATION

As at 30 June 2013, the Group employed 38 (2012: 46) full time employees in Hong Kong and 12 (2012: 12) full time employees in PRC and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits schemes contributions amounted to approximately HK$16,022,000 (2012: HK$17,061,000).

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 scheme.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group mainly used its internal resources to finance its operations during the year. The Group's financial position has been strengthened with substantial liquidity after the completion of the open offer.

The Group had bank balances and cash of approximately HK$14,692,000 as at 30 June 2013 (30 June 2012: HK$14,431,000). The Group's gearing ratio, as a percentage of bank and other borrowings and long term debt over total assets, as at 30 June 2013 was 0% (30 June 2012: 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 acquisition and disposal of subsidiaries and affiliated companies for the year ended 30 June 2013.

CHARGE ON ASSETS

As at 30 June 2013, the Group did not have any charge on its assets (30 June 2012: 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 or British Pounds. The Group did not use any financial instruments for hedging purposes (30 June 2012: Nil).

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any contingent liabilities (30 June 2012: 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 2013 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, 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.

CORPORATE GOVERNANCE (CONTINUED)

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 2013, 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 2013.

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, 6 September 2013

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.