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 2014

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 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	3	**37,513**	39,159
Cost of sales		**(23,071)**	(22,691)
Gross profit		**14,442**	16,468
Other income	4	**508**	382
Selling and distribution costs		**(9,912)**	(9,123)
Administrative expenses		**(7,228)**	(8,278)
Research and development expenditure		**(4,445)**	(4,814)
Loss before taxation	5	**(6,635)**	(5,365)
Income tax credit	6	**—**	13
Loss for the year		**(6,635)**	(5,352)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(98)**	(61)
Change in fair value on available-for-sale investments		**647**	1,065
Other comprehensive income for the year		**549**	1,004
Total comprehensive expense for the year		**(6,086)**	(4,348)
Loss for the year attributable to:			
Owners of the Company		**(6,548)**	(5,268)
Non-controlling interests		**(87)**	(84)
		(6,635)	(5,352)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(5,956)**	(4,274)
Non-controlling interests		**(130)**	(74)
		(6,086)	(4,348)
Loss per share	7		
— Basic		**48 cents**	42 cents
— Diluted		**48 cents**	42 cents

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**252**	379
Capitalised development costs		**3,077**	2,980
Available-for-sale investments		**6,948**	6,278
		10,277	9,637
Current assets			
Inventories		**9,415**	10,824
Trade and other receivables	*9*	**4,220**	4,389
Bank balances and cash		**7,844**	14,692
		21,479	29,905
Current liabilities			
Trade and other payables	*10*	**2,435**	4,455
Net current assets		**19,044**	25,450
Total assets less current liabilities		**29,321**	35,087
Capital and reserves			
Share capital		**2,741**	2,713
Reserves		**27,019**	32,683
Equity attributable to owners of the Company		**29,760**	35,396
Non-controlling interests		**(439)**	(309)
Total equity		**29,321**	35,087

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	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 *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 July 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
Loss for the year	–	–	–	–	–	–	(6,548)	(6,548)	(87)	(6,635)
Other comprehensive (expense)/ income for the year										
Exchange differences arising on translating foreign operations	–	–	(55)	–	–	–	–	(55)	(43)	(98)
Change in fair value on available-for-sale investments	–	–	–	647	–	–	–	647	–	647
	–	–	(55)	647	–	–	–	592	(43)	549
Total comprehensive (expense)/ income for the year	–	–	(55)	647	–	–	(6,548)	(5,956)	(130)	(6,086)
Issue of ordinary shares upon exercise of share options	28	292	–	–	–	–	–	320	–	320
At 30 June 2014	**2,741**	**26,813**	**(254)**	**1,510**	**985**	**14,990**	**(17,025)**	**29,760**	**(439)**	**29,321**

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")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, 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 Standards on consolidation and disclosures

In the current year, the Group has applied for the first time the package of standards on consolidation and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 27 (as revised in 2011) *Separate Financial Statements*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

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

Impact of the application of HKFRS 10

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 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 July 2013) and concluded that the adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with the investees as at 1 July 2013.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

New and revised HKFRSs in issue 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 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[6]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2017

The Directors anticipate that the application of the 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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia	**25,916**	27,634	**3,257**	3,303
Europe	**5,602**	5,714	**72**	56
Africa	**5,340**	4,712	**—**	—
Others	**655**	1,099	**—**	—
	37,513	39,159	**3,329**	3,359

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**4,620**	4,398
Customer B	**N/A**[1]	4,877

[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:

	2014	2013
	HK$'000	*HK$'000*
Dividend income from listed equity securities	**471**	264
Interest income from bank deposits	**1**	1
Bad debt recovery	**—**	42
Others	**36**	75
	508	382

5. LOSS BEFORE TAXATION

	2014	2013
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff salaries and other benefits (including directors' remuneration)	**15,531**	15,383
Retirement benefits schemes contributions	**631**	639
Total staff costs	**16,162**	16,022
Less: Amount capitalised as development costs	**(1,193)**	(1,229)
	14,969	14,793
Allowance/(Reversal of allowance) for obsolete stocks (included in cost of sales)	**352**	(659)
Amortisation of capitalised development costs (included in research and development expenditure)	**1,096**	997
Auditors' remuneration	**341**	322
Depreciation of property, plant and equipment	**248**	540
Loss on disposal of property, plant and equipment	**23**	6
Net foreign exchange gain	**(476)**	(9)
(Reversal of allowance)/Allowance for bad and doubtful debts	**(68)**	202
Write down of inventories (included in cost of sales)	**150**	519

6. INCOME TAX CREDIT

	2014	2013
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Over provision in respect of prior years	—	(13)

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 rates 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:

	2014	2013
	HK$'000	*HK$'000*
Loss before taxation	**(6,635)**	(5,365)
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	**(1,095)**	(885)
Tax effect of expenses not deductible for tax purpose	**29**	28
Tax effect of income not taxable for tax purpose	**(51)**	(186)
Tax effect of tax losses not recognised	**1,220**	1,187
Over provision in respect of prior years	—	(13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(93)**	(144)
Others	**(10)**	—
Tax credit for the year	—	(13)

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:

	2014	2013
	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)	**(6,548)**	(5,268)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**13,578**	12,492

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 30 June 2013 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 2014 (2013: Nil).

9. TRADE AND OTHER RECEIVABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**2,826**	3,778
Less: Allowance for bad and doubtful debts	**(305)**	(363)
	2,521	3,415
Prepayments, deposits and other receivables	**1,699**	974
Total trade and other receivables	**4,220**	4,389

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	
	2014	2013
	HK$'000	*HK$'000*
Current and less than 1 month overdue	**2,105**	2,340
1 to 3 months overdue	**331**	1,029
More than 3 months overdue	**85**	46
	2,521	3,415

10. TRADE AND OTHER PAYABLES

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Trade payables	**1,015**	2,553
Accruals and other payables	**1,420**	1,902
Total trade and other payables	**2,435**	4,455

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	
	2014	2013
	HK$'000	*HK$'000*
Current and less than 1 month overdue	**804**	1,966
1 to 3 months overdue	**136**	498
More than 3 months overdue	**75**	89
	1,015	2,553

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 30 June 2014, the Group recorded a turnover of approximately HK$37,513,000, representing a decrease of about 4% as compared with the turnover of about HK$39,159,000 of the preceding year. Loss attributable to the owners of the Company for the year ended 30 June 2014 amounted to approximately HK$6,548,000, representing an increase of approximately 24% when compared with last year. Basic loss per share for the year ended 30 June 2014 was 48 HK cents (2013: 42 HK cents).

As a result of the Group's control on overhead costs, overall operating costs during the year decreased to HK$21,585,000 as compared to HK$22,215,000 in the previous year.

BUSINESS REVIEW

The business of high definition ("HD") video surveillance systems continued on a healthy growth trend in the year under review. In facing fierce price competition and weaker demand, the business of Standard Resolution ("SD") systems reported a double-digit drop in revenue. As a result, the overall revenue and gross profit margin have both decreased slightly. The average price differential between a HD and SD system remained high due to a rapid decline in the price of a SD system. Despite this, during the latter part of the year under review, the price of SD systems has stabilised and a further drop is unlikely.

The Group has expanded its sales team, strengthened its sales channel management and development activities during the year. A series of TV commercials were produced for the Hong Kong market and broadcasted on various local news channels. As a result, together with a wider coverage in sales distribution channels, a strong double-digit growth was reported in the Hong Kong market. For the overseas markets, the Group decided to revert the Croatia and Singapore licensed offices to a distributorship arrangement. TeleEye licensed offices were setup in Malaysia and Turkey, in order to seek out potential opportunities to encourage growth and deeper penetration within these markets. To actively promote the TeleEye brand, we have taken on a wide scope of activities and actions through various media, exhibited new products in seminars, workshops and international exhibitions.

During the year, we have faced fierce competition from mainland China manufacturers who are not only price leaders, but also have much improved quality over the year. In order to widen our product range, we have carefully selected some of them to become our suppliers for some of the low-end and more price sensitive products. Our video management applications encompass all TeleEye video cameras, recorders, servers to form integrated, scalable, multi-functional and powerful video surveillance systems to satisfy the diverse needs of users.

SEGMENT INFORMATION

Asia

Turnover for Asia (inclusive of Hong Kong, Singapore, Middle East and other Asian countries) as a whole for the year ended 30 June 2014 decreased by 6% to approximately HK$25,916,000 (2013: HK$27,634,000). It accounted for 69% (2013: 70%) of the Group's turnover. The decrease was mainly contributed by business in Middle East region.

Europe

Turnover for Europe for the year ended 30 June 2014 dropped by 2% to approximately HK$5,602,000 (2013: HK$5,714,000). It accounted for 15% (2013: 15%) of the Group's turnover. Recovery was slow in Europe. The Group expanded the sales team covering Europe in the latter part of the year. We are in a good position to capture the coming recovery in this region.

Africa

Business in Africa mainly came from South Africa and Mauritius. Turnover for Africa for this year increased by 13% to approximately HK$5,340,000 (2013: HK$4,712,000). It accounted for 14% (2013: 12%) of the Group's turnover.

Others

Other geographic segments mainly included the Americas and Australia. It has contributed to about 2% (2013: 3%) of the Group's total turnover this year, which amounted to approximately HK$655,000 (2013: HK$1,099,000).

PRODUCT DEVELOPMENT

During the year we have launched six new models of HD network cameras, eight models of ultra-high-resolution analogue video cameras and three models of entry-level digital video recorders. New features have been added to strengthen the search and zooming capabilities of recorders. An intelligent video analytic application for human flow analysis was introduced for management of shops and malls.

BUSINESS OUTLOOK

In the upcoming year, the Group will begin to launch more products that comply with ONVIF, an open standard for IP based video surveillance products. This will enable TeleEye products to enter markets that require an open platform and high interoperability. We will also introduce numerous entry-level products for the price-sensitive markets. The strategy is to carry a wider product range that will satisfy and cover a large scale of demands in the video surveillance market globally.

The Group will continue to expand its sales and marketing team, in order to strengthen existing sales network and to build more channels in different countries. Besides exhibitions, advertisements, web promotion, seminars and workshops, we will continue to focus on distribution channel recruitment exercises. To facilitate overseas business, great emphasis has been placed on developing more marketing and technical support on web and mobile platforms.

Keen competition from China manufacturers remains to be a key concern for the Group. Nonetheless as the economic outlook for European, Asian and African countries improves, the Group is in favourable position to capture desirable market shares and potential opportunities.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 30 June 2014 (2013: Nil).

EMPLOYEE INFORMATION

As at 30 June 2014, the Group employed 40 (2013: 38) full time employees in Hong Kong and 14 (2013: 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$16,162,000 (2013: HK$16,022,000).

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 had bank balances and cash of approximately HK$7,844,000 as at 30 June 2014 (30 June 2013: HK$14,692,000).

The Group's gearing ratio, as a percentage of bank and other borrowings and long term debt over total assets, as at 30 June 2014 was 0% (30 June 2013: 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 2014.

CHARGE ON ASSETS

As at 30 June 2014, the Group did not have any charge on its assets (30 June 2013: 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 2013: Nil).

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any contingent liabilities (30 June 2013: 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 2014 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.

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 2014, 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. To Ka Ho, 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 2014.

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, 19 September 2014

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. To Ka Ho, 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.