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 2015

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.

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 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	3	**28,941**	37,513
Cost of sales		**(18,239)**	(23,071)
Gross profit		**10,702**	14,442
Other income	4	**2,496**	508
Selling and distribution costs		**(8,403)**	(9,912)
Administrative expenses		**(8,153)**	(7,228)
Research and development expenditure		**(4,579)**	(4,445)
Loss before taxation	5	**(7,937)**	(6,635)
Income tax	6	**—**	—
Loss for the year		**(7,937)**	(6,635)
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(332)**	(98)
Change in fair value on available-for-sale investments		**598**	647
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**(2,108)**	—
Other comprehensive (expense)/income for the year		**(1,842)**	549
Total comprehensive expense for the year		**(9,779)**	(6,086)
Loss for the year attributable to:			
Owners of the Company		**(7,843)**	(6,548)
Non-controlling interests		**(94)**	(87)
		(7,937)	(6,635)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(9,723)**	(5,956)
Non-controlling interests		**(56)**	(130)
		(9,779)	(6,086)
			(Restated)
Loss per share	7		
— Basic		**1.13 cents**	0.96 cents
— Diluted		**1.13 cents**	0.96 cents

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**353**	252
Capitalised development costs		**2,119**	3,077
Available-for-sale investments		**—**	6,948
		2,472	10,277
Current assets			
Inventories		**5,289**	9,415
Trade and other receivables	*9*	**3,700**	4,220
Bank balances and cash		**68,715**	7,844
		77,704	21,479
Current liabilities			
Trade and other payables	*10*	**1,908**	2,435
Net current assets		**75,796**	19,044
Total assets less current liabilities		**78,268**	29,321
Capital and reserves			
Share capital		**3,348**	2,741
Reserves		**75,415**	27,019
Equity attributable to owners of the Company		**78,763**	29,760
Non-controlling interests		**(495)**	(439)
Total equity		**78,268**	29,321

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	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 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
Loss for the year	–	–	–	–	–	–	(7,843)	(7,843)	(94)	(7,937)
Other comprehensive (expense)/ income for the year										
Exchange differences arising on translating foreign operations	–	–	(370)	–	–	–	–	(370)	38	(332)
Change in fair value on available-for-sale investments	–	–	–	598	–	–	–	598	–	598
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	(2,108)	–	–	–	(2,108)	–	(2,108)
	–	–	(370)	(1,510)	–	–	–	(1,880)	38	(1,842)
Total comprehensive expense for the year	–	–	(370)	(1,510)	–	–	(7,843)	(9,723)	(56)	(9,779)
Issue of ordinary shares upon exercise of share options	77	2,101	–	–	(985)	–	–	1,193	–	1,193
Issue of ordinary shares by way of placing	530	57,003	–	–	–	–	–	57,533	–	57,533
At 30 June 2015	**3,348**	**85,917**	**(624)**	**–**	**–**	**14,990**	**(24,868)**	**78,763**	**(495)**	**78,268**

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 the GEM of the Stock Exchange. Its ultimate holding company is Fast Upgrade Limited (the "Fast Upgrade"), 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) — Int 21	Levies

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 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 HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 specifies how and when the Group will recognise revenue as well as requiring the Group to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Under HKFRS 15, revenue is recognised in accordance with the core principle by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognising revenue when (or as) the performance obligation is satisfied. HKFRS 15 also includes a cohesive set of disclosure requirements that would result in providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.

HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 July 2017 and the Directors are in the process of assessing the impact of HKFRS 15 to the consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 38 introduce a rebuttable presumption that the revenue is not appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Directors are in the process of assessing the impact of HKAS 38 (Amendments) to 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 statement.

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	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia	**19,798**	25,916	**2,419**	3,257
Europe	**4,960**	5,602	**53**	72
Africa	**3,708**	5,340	**—**	—
Others	**475**	655	**—**	—
	28,941	37,513	**2,472**	3,329

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:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**3,055**	4,620

4. OTHER INCOME

Other income is analysed as follows:

	2015 *HK$'000*	2014 *HK$'000*
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments	**2,108**	—
Dividend income from listed equity securities	**195**	471
Interest income from bank deposits	**1**	1
Others	**192**	36
	2,496	508

5. LOSS BEFORE TAXATION

	2015 *HK$'000*	2014 *HK$'000*
Loss before taxation has been arrived at after charging/(crediting):		
Staff salaries and other benefits (including directors' remuneration)	**13,528**	15,531
Retirement benefits schemes contributions	**611**	631
Total staff costs	**14,139**	16,162
Less: Amount capitalised as development costs	**(621)**	(1,193)
	13,518	14,969
Amortisation of capitalised development costs (included in research and development expenditure)	**1,579**	1,096
Auditors' remuneration	**346**	341
Depreciation of property, plant and equipment	**112**	248
(Gain)/Loss on disposal of property, plant and equipment	**(259)**	23
Net foreign exchange loss/(gain)	**115**	(476)
Reversal of allowance for bad and doubtful debts	**(26)**	(68)
(Reversal of allowance)/Allowance for obsolete stocks (included in cost of sales)	**(387)**	352
Write down of inventories (included in cost of sales)	**960**	150

6. INCOME TAX

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

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

The tax charge 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:

	2015	2014
	HK$'000	*HK$'000*
Loss before taxation	**(7,937)**	(6,635)
Tax at the domestic income tax rate of 16.5% (2014: 16.5%)	**(1,310)**	(1,095)
Tax effect of expenses not deductible for tax purpose	**12**	29
Tax effect of income not taxable for tax purpose	**(568)**	(51)
Tax effect of tax losses not recognised	**1,971**	1,220
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(88)**	(93)
Others	**(17)**	(10)
Tax charge for the year	**—**	—

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:

	2015	2014
	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)	**(7,843)**	(6,548)
	'000	*'000* (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**693,850**	678,916

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share subdivision in August 2015.

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 ("Board") of Directors does not recommend the payment of dividend for the year ended 30 June 2015 (2014: Nil).

9. TRADE AND OTHER RECEIVABLES

	The Group	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**2,266**	2,826
Less: Allowance for bad and doubtful debts	**(140)**	(305)
	2,126	2,521
Prepayments, deposits and other receivables	**1,574**	1,699
Total trade and other receivables	**3,700**	4,220

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	
	2015	2014
	HK$'000	*HK$'000*
Current and less than 1 month overdue	**1,987**	2,105
1 to 3 months overdue	**104**	331
More than 3 months overdue	**35**	85
	2,126	2,521

10. TRADE AND OTHER PAYABLES

	The Group	
	2015	2014
	HK$'000	*HK$'000*
Trade payables	**786**	1,015
Accruals and other payables	**1,122**	1,420
Total trade and other payables	**1,908**	2,435

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	
	2015	2014
	HK$'000	*HK$'000*
Current and less than 1 month overdue	**632**	804
1 to 3 months overdue	**100**	136
More than 3 months overdue	**54**	75
	786	1,015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 30 June 2015, the Group recorded a turnover of approximately HK$28,941,000, representing a decrease of about 23% as compared with the turnover of about HK$37,513,000 of the preceding year. Loss attributable to the owners of the Company for the year ended 30 June 2015 amounted to approximately HK$7,843,000, representing an increase of approximately 20% when compared with last year. Basic loss per share for the year ended 30 June 2015 was 1.13 HK cents (2014: 0.96 HK cents).

BUSINESS REVIEW

In this financial year, the overall economy showed a steady and better trend but economic growth rate slowed down. Erosion of demand of our products are being continuously. Due to unfavorable factors such as intense competition, the increase of rental expenses, inflation rate and amortization of research and development cost during the year, the loss was enlarged.

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 2015 decreased by 24% to approximately HK$19,798,000 (2014: HK$25,916,000). It accounted for 68% (2014: 69%) of the Group's turnover. The decrease was mainly contributed by business in Hong Kong and Middle East region.

Europe

Turnover for Europe for the year ended 30 June 2015 dropped by 11% to approximately HK$4,960,000 (2014: HK$5,602,000). It accounted for 17% (2014: 15%) of the Group's turnover. The decrease was mainly contributed by business in United Kingdom.

Africa

Business in Africa mainly came from South Africa. Turnover for Africa for this year decreased by 31% to approximately HK$3,708,000 (2014: HK$5,340,000). It accounted for 13% (2014: 14%) of the Group's turnover.

Others

Other geographic segments mainly included the Americas and Australia. It has contributed to about 2% (2014: 2%) of the Group's total turnover this year, which amounted to approximately HK$475,000 (2014: HK$655,000).

PRODUCT DEVELOPMENT

During the year, we have launched RX800, GX680 and JN500 series. The five protection layers incorporated in the TeleEye RX800 and GX680, which are able to sheld off hackers' attacks via the internet. JN500 allows users to easily upgrade existing analogue systems from standard definition to high definition without changing the installed coax cables and equipment.

BUSINESS OUTLOOK

On the video surveillance business, we will continue to develop new product ranges and business channels. In addition, we will actively seek other favorable and potential business projects opportunities arise from time to time to achieve long-term business growth, while further increasing the Group's turnover, improving profitability, and thus maximizing the returns of the shareholders.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 30 June 2015 (2014: Nil).

EMPLOYEE INFORMATION

As at 30 June 2015, the Group employed 29 (2014: 40) full time employees in Hong Kong and 7 (2014: 14) 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$14,139,000 (2014: HK$16,162,000).

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$68,715,000 as at 30 June 2015 (30 June 2014: HK$7,844,000).

The Group's gearing ratio, as a percentage of bank and other borrowings and long term debt over total assets, as at 30 June 2015 was 0% (30 June 2014: 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 2015.

CHARGE ON ASSETS

As at 30 June 2015, the Group did not have any charge on its assets (30 June 2014: 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 2014: Nil).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any contingent liabilities (30 June 2014: Nil).

CHARGE OF SHARES BY CONTROLLING SHAREHOLDER

On 26 May 2015, Fast Upgrade entered into a loan agreement (the "Loan Agreement") with Cherry Sky Investments Limited ("Cherry Sky"), a direct wholly-owned subsidiary of Easyknit Enterprises Holdings Limited (stock code: 0616), an independent third party, in relation to the provision of loan amount up to HK$70 million for a period of twelve months from drawdown date. Pursuant to the Loan Agreement, Fast Upgrade pledged 8,381,202 shares of the Company (the "Charged Shares"), representing approximately 59.49% of the issued share capital of the Company on 26 May 2015, as security for the Loan Agreement. Fast Upgrade shall pay interest to Cherry Sky on the loan at the rate of 8% per annum. The loan is secured by the share charged and personal guarantee of Mr. Chen Haining.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 8 June 2015, the Company entered into the placing agreement with Get Nice Securities Limited ("Placing Agent") in relation to the placing of new ordinary shares ("Placing Shares"). Pursuant to the placing agreement, the Company has agreed to place through the Placing Agent, on a best effort basis, of up to a maximum of 2,650,000 Placing Shares to independent third parties at the placing price of HK$22.2 per Placing Share. Upon completion of the placing, the shareholding of Fast Upgrade, the controlling shareholder, in the then issued share capital of the Company reduced from 59.49% to approximately 50.07%. The placing was completed on 24 June 2015. The net proceeds from the Placing were approximately HK$57.5 million and the Company intended to use such net proceeds for general working capital. Up to the date of this announcement, the net proceeds of approximately HK$6.3 million has been deployed as general working capital.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's head office and principal place of business in Hong Kong has been changed to Unit 2002, Floor 20, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, Hong Kong with effect from 18 June 2015.

EVENTS AFTER THE REPORTING PERIOD

Share subdivision, change in board lot size and increase in authorised share capital

On 15 July 2015, the Board proposed (i) that each of the issued and unissued share of the Company of HK$0.2 each in the share capital of the Company into fifty (50) subdivided shares of HK$0.004 each ("Share Subdivision"); and (ii) to change the board lot size for trading from 1,000 existing shares to 10,000 subdivided shares after the Share Subdivision becoming effective. The relevant ordinary resolution was passed at the extraordinary general meeting ("EGM") held on 13 August 2015 and such Shares Subdivision and change in board lot size has become effective on 14 August 2015.

On 17 July 2015, the Board proposed to increase the authorised share capital of the Company from HK$8,000,000 (divided into 40,000,000 Shares) to HK$80,000,000 (divided into 400,000,000 Shares) by the creation of an additional 360,000,000 Shares, which will rank pari passu with all existing Shares. The relevant ordinary resolution was also passed at the EGM held on 13 August 2015 and it has become effective on 14 August 2015.

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 2015 except for the following deviations:

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, Mr. Chen Haining currently performs these two roles. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership with the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decision promptly and efficiently. The Group considers that, at its present size, there is no imminent need to segregate the roles of Chairman and Chief Executive Officer.

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 2015, 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 three members comprising the three Independent Non-Executive Directors, namely, Mr. Chang Kin Man (chairman of the audit committee), Mr. Luk Chi Shing and Mr. Yau Chi Ming.

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 2015.

REMUNERATION COMMITTEE

The remuneration committee has three members comprising three Independent Non-Executive Directors, namely, Mr. Luk Chi Shing (chairman of the remuneration committee), Mr. Yau Chi Ming and Mr. Chang Kin Man.

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, Mr. Luk Chi Shing and Mr. Yau Chi Ming and one Executive Director, namely, Mr. Chen Haining (chairman of the nomination committee).

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
Mr. Chen Haining
Chairman and Chief Executive Officer

Hong Kong, 18 September 2015

As at the date hereof, the Executive Directors are Mr. Chen Haining (Chairman of the Company) and Dr. Ma Chi Kit; and the Independent Non-Executive Directors are Mr. Luk Chi Shing, Mr. Yau Chi Ming and Mr. Chang Kin Man.

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.