千里眼控股有限公司

TeleEye Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

2015/2016 INTERIM RESULTS ANNOUNCEMENT

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.

HIGHLIGHTS

- The Company and its subsidiaries (collectively referred to as the "Group") recorded a turnover of approximately HK$14,463,000 for the six months ended 31 December 2015, representing a decrease of approximately 8% when compared with the same period in 2014.

- The Group recorded a loss attributable to the owners of the Company of approximately HK$2,079,000 for the six months ended 31 December 2015, representing a decrease of approximately 59% when compared with the same period in last year. The board (the "Board") of Directors considers that the improvement in the performance of the Group is mainly attributable to effective cost cutting measures.

- The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2015.

RESULTS

The Board of the Company hereby announces the unaudited consolidated results of the Group for the three months and six months ended 31 December 2015, together with the comparative unaudited figures for the corresponding periods in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 31 December		Six months ended 31 December	
		2015	2014	**2015**	2014
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*4*	**7,911**	6,807	**14,463**	15,724
Cost of sales		**(4,267)**	(4,128)	**(7,773)**	(9,909)
Gross profit		**3,644**	2,679	**6,690**	5,815
Other income		**2**	80	**48**	160
Selling and distribution costs		**(1,118)**	(2,361)	**(2,056)**	(4,793)
Administrative expenses		**(2,600)**	(1,975)	**(5,094)**	(3,958)
Research and development expenditure		**(973)**	(1,273)	**(1,694)**	(2,360)
Loss before taxation	*6*	**(1,045)**	(2,850)	**(2,106)**	(5,136)
Income tax	*7*	**—**	—	**—**	—
Loss for the period		**(1,045)**	(2,850)	**(2,106)**	(5,136)
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		**(76)**	(133)	**(137)**	(303)
Change in fair value on available-for-sale investments		**—**	209	**—**	(169)
Other comprehensive (expense)/income for the period		**(76)**	76	**(137)**	(472)
Total comprehensive expense for the period		**(1,121)**	(2,774)	**(2,243)**	(5,608)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		Three months ended 31 December		Six months ended 31 December	
		2015	2014	**2015**	2014
	NOTES	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to:					
Owners of the Company		**(1,031)**	(2,813)	**(2,079)**	(5,068)
Non-controlling interests		**(14)**	(37)	**(27)**	(68)
		(1,045)	(2,850)	**(2,106)**	(5,136)
Total comprehensive (expense)/income for the period attributable to:					
Owners of the Company		**(1,123)**	(2,755)	**(2,247)**	(5,582)
Non-controlling interests		**2**	(19)	**4**	(26)
		(1,121)	(2,774)	**(2,243)**	(5,608)
			(Restated)		(Restated)
Loss per share	*8*				
— Basic		**0.12 HK cents**	0.41 HK cents	**0.25 HK cents**	0.74 HK cents
— Diluted		**0.12 HK cents**	0.41 HK cents	**0.25 HK cents**	0.74 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 31 December 2015**	As at 30 June 2015
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	*9*	**291**	353
Capitalised development costs		**1,557**	2,119
		1,848	2,472
Current assets			
Inventories		**4,122**	5,289
Trade and other receivables	*10*	**4,685**	3,700
Deposit in a financial institution		**16,000**	—
Bank balances and cash		**52,168**	68,715
		76,975	77,704
Current liabilities			
Trade and other payables	*11*	**2,798**	1,908
Net current assets		**74,177**	75,796
Total assets less current liabilities		**76,025**	78,268
Capital and reserves			
Share capital	*12*	**3,348**	3,348
Reserves		**73,168**	75,415
Equity attributable to owners of the Company		**76,516**	78,763
Non-controlling interests		**(491)**	(495)
Total equity		**76,025**	78,268

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Share options reserve	Special reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2014 (audited)	2,741	26,813	(254)	1,510	985	14,990	(17,025)	29,760	(439)	29,321
Loss for the period	–	–	–	–	–	–	(5,068)	(5,068)	(68)	(5,136)
Other comprehensive (expense)/income for the period										
Exchange differences arising on translating foreign operations	–	–	(345)	–	–	–	–	(345)	42	(303)
Change in fair value on available-for-sale investments	–	–	–	(169)	–	–	–	(169)	–	(169)
	–	–	(345)	(169)	–	–	–	(514)	42	(472)
Total comprehensive expense for the period	–	–	(345)	(169)	–	–	(5,068)	(5,582)	(26)	(5,608)
Issue of ordinary shares upon exercise of share options	8	211	–	–	(100)	–	–	119	–	119
At 31 December 2014 (unaudited)	2,749	27,024	(599)	1,341	885	14,990	(22,093)	24,297	(465)	23,832
Loss for the period	–	–	–	–	–	–	(2,775)	(2,775)	(26)	(2,801)
Other comprehensive (expense)/income for the period										
Exchange differences arising on translating foreign operations	–	–	(25)	–	–	–	–	(25)	(4)	(29)
Change in fair value on available-for-sale investments	–	–	–	767	–	–	–	767	–	767
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	(2,108)	–	–	–	(2,108)	–	(2,108)
	–	–	(25)	(1,341)	–	–	–	(1,366)	(4)	(1,370)
Total comprehensive expense for the period	–	–	(25)	(1,341)	–	–	(2,775)	(4,141)	(30)	(4,171)
Issue of ordinary shares upon exercise of share options	69	1,890	–	–	(885)	–	–	1,074	–	1,074
Issue of ordinary shares by way of placing	530	57,003	–	–	–	–	–	57,533	–	57,533
At 1 July 2015 (audited)	3,348	85,917	(624)	–	–	14,990	(24,868)	78,763	(495)	78,268
Loss for the period	–	–	–	–	–	–	(2,079)	(2,079)	(27)	(2,106)
Other comprehensive (expense)/income for the period										
Exchange differences arising on translating foreign operations	–	–	(168)	–	–	–	–	(168)	31	(137)
Total comprehensive (expense)/income for the period	–	–	(168)	–	–	–	(2,079)	(2,247)	4	(2,243)
At 31 December 2015 (unaudited)	3,348	85,917	(792)	–	–	14,990	(26,947)	76,516	(491)	76,025

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(470)**	(3,543)
Net cash used in investing activities:		
Dividend income received	**—**	126
Increase in capitalised development costs	**(70)**	(532)
Other investing cash flows	**(7)**	(43)
	(77)	(449)
Net cash generated from financing activities:		
Proceeds from issue of shares	**—**	119
	—	119
Net decrease in cash and cash equivalents	**(547)**	(3,873)
Cash and cash equivalents at beginning of the period	**68,715**	7,844
Cash and cash equivalents at end of the period	**68,168**	3,971
Analysis of the balances of cash and cash equivalents		
Bank balance and cash	**52,168**	3,971
Deposit in a financial institution	**16,000**	—
	68,168	3,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 ("Fast Upgrade"), a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2015, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2015. The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in this condensed consolidated financial statements and/or disclosures set out in this condensed consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. REVENUE

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

5. SEGMENT INFORMATION

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 United Kingdom.

The Group's revenue from external customers by geographical location of customers is detailed below:

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Asia	**10,280**	10,640
Europe	**2,240**	3,009
Africa	**1,461**	1,650
Others	**482**	425
	14,463	15,724

6. LOSS BEFORE TAXATION

	Three months ended 31 December		**Six months ended 31 December**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss before taxation has been arrived at after charging/(crediting):				
Allowance for obsolete stocks (included in cost of sales)	**168**	338	**204**	269
Amortisation of capitalised development costs (included in research and development expenditure)	**405**	451	**632**	714
Depreciation of property, plant and equipment	**33**	28	**66**	56
Dividend income from listed equity securities	**—**	(63)	**—**	(126)
Interest income	**(2)**	—	**(4)**	—
Net foreign exchange loss	**—**	49	**3**	67
(Reversal of allowance)/allowance for bad and doubtful debts	**(126)**	(9)	**51**	57

7. INCOME TAX

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

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

8. 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:

	Three months ended 31 December		Six months ended 31 December	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loss				
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	**(1,031)**	(2,813)	**(2,079)**	(5,068)
	'000	*'000* (Restated)	***'000***	*'000* (Restated)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**836,921**	685,707	**836,921**	685,507

The computation of diluted loss per share for the six months ended 31 December 2014 does not assume the exercise of the Company's share options since their exercise would result in decrease in loss per share.

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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2015, the Group spent approximately HK$7,000 on office equipment.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December 2015	As at 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**2,892**	2,266
Less: Allowance for bad and doubtful debts	**(95)**	(140)
	2,797	2,126
Prepayments, deposits and other receivables	**1,888**	1,574
Total trade and other receivables	**4,685**	3,700

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:

	As at 31 December 2015	As at 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current and less than 1 month overdue	**2,290**	1,987
1 to 3 months overdue	**507**	104
More than 3 months overdue	**—**	35
	2,797	2,126

11. TRADE AND OTHER PAYABLES

	As at 31 December 2015	As at 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**1,116**	786
Accruals and other payables	**1,682**	1,122
Total trade and other payables	**2,798**	1,908

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:

	As at 31 December 2015	As at 30 June 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current and less than 1 month overdue	**820**	632
1 to 3 months overdue	**248**	100
More than 3 months overdue	**48**	54
	1,116	786

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

12. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
At 1 July 2014, 31 December 2014 and 30 June 2015, ordinary shares of HK$0.2 each	40,000	8,000
Increase in authorised share capital	360,000	72,000
Share subdivision	19,600,000	—
At 31 December 2015, ordinary shares of HK$0.004 each	20,000,000	80,000
Issued and fully paid:		
At 1 July 2014	13,706	2,741
Issue of ordinary shares upon exercise of share options	38	8
At 31 December 2014	13,744	2,749
Issue of ordinary shares upon exercise of share options	344	69
Issue of ordinary shares by way of placing	2,650	530
At 30 June 2015	16,738	3,348
Share subdivision	820,183	—
At 31 December 2015	836,921	3,348

13. RELATED PARTY DISCLOSURE

Compensation of key management personnel

The remuneration of key management which are the Directors during the period was as follows:

	Six months ended 31 December	
	2015	2014
	HK$'000	*HK$'000*
Short-term benefits	**663**	2,333
Post-employment benefits	**7**	27
	670	2,360

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

14. COMPARATIVE FIGURES

As a result of the completion of share subdivision on 13 August 2015, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed in the current period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 31 December 2015 (2014: Nil).

FINANCIAL REVIEW

For the six months ended 31 December 2015, the Group recorded a turnover of approximately HK$14,463,000, representing a decrease of about 8% as compared with a turnover of approximately HK$15,724,000 of the same period in last year. The loss attributable to owners of the Company was approximately HK$2,079,000 for the six months ended 31 December 2015, representing a decrease of approximately 59% when compared with the same period in last year. The Board considers that the improvement in the performance of the Group is mainly attributable to effective cost cutting measures.

During the six months ended 31 December 2015, the Group had capitalised operating costs of approximately HK$70,000 (2014: HK$532,000) in respect of development of advanced Closed Circuit Television ("CCTV") products.

BUSINESS REVIEW

As the higher market acceptance and penetration of our new products, the sales revenue is increased by approximately 21% in the recent three months.

The management continues to take tight control on overall operating costs and expenses enabled us to improve our financial performance and profitability.

BUSINESS OUTLOOK

The global economic slow down may affect our business worldwide in coming quarters. Even the unfavourable economic situation will remain uncertain for some time, the Company continues to launch new products in order to increase the market shares in various countries and sales revenue of the Group.

In addition to the business of CCTV, we are looking for other potential business opportunities from time to time to enhance the value to our shareholders.

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.

SEGMENT INFORMATION

Asia

Turnover for Asia (inclusive of Hong Kong, Singapore, Middle East and other Asian countries) as a whole for the six months ended 31 December 2015 amounted to approximately HK$10,280,000 (2014: HK$10,640,000) or 71% (2014: 68%) of the Group's turnover.

Europe

Turnover for the six months ended 31 December 2015 amounted to approximately HK$2,240,000 (2014: HK$3,009,000) or 16% (2014: 19%) of the Group's turnover.

Africa

Turnover for the six months ended 31 December 2015 amounted to approximately HK$1,461,000 (2014: HK$1,650,000) or 10% (2014: 10%) of the Group's turnover.

Others

Other geographic segments mainly included the Americas and Australia. Turnover for the six months ended 31 December 2015 amounted to approximately HK$482,000 (2014: HK$425,000) or 3% (2014: 3%) of the Group's total turnover.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group employed 25 (2014: 37) full time employees in Hong Kong and 5 (2014: 12) full time employees in the PRC and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits schemes contributions amounted to approximately HK$5,008,000 (2014: HK$8,114,000).

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 six months ended 31 December 2015.

The Group had bank balances, deposits and cash of approximately HK$68,168,000 as at 31 December 2015 (30 June 2015: HK$68,715,000).

The Group's gearing ratio, as a percentage of bank and other borrowings and long-term debt over total assets, as at 31 December 2015 was 0% (30 June 2015: 0%).

CAPITAL STRUCTURE

The Group did not have any borrowings during the period under review.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investment during the six months ended 31 December 2015.

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 six months ended 31 December 2015.

CHARGE ON ASSETS

As at 31 December 2015, the Group did not have any charge on its assets (30 June 2015: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Up to 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 period under review, the Group's transactions were substantially denominated in either Hong Kong dollars, US dollars or British Pounds. The Group did not use any financial instruments for hedging purposes (30 June 2015: Nil).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any contingent liabilities (30 June 2015: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2015, the interests of the Directors, Chief Executive and their associates in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required pursuant to Section 352 of the SFO, or which are required pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long and short positions in shares:

(a) Ordinary shares of HK$0.004 each of the Company

Name of a Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Chen Haining	Held by controlled corporation *(Note 1 and 2)*	419,060,100 (L & S)	50.07%

(b) Interest in a subsidiary company

Name of a Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the subsidiary company
Dr. Ma Chi Kit	Non-controlling interests *(Note 3)*	5	5%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES (CONTINUED)

Notes:

(1) The letter "L" and "S" denotes long position and short position in the shares respectively.

(2) These shares are registered in the name of Fast Upgrade, which is wholly owned by Mr. Chen Haining who is deemed to be interested in all the shares in which Fast Upgrade is interested by virtue of the SFO.

(3) The share representing approximately 5% of the issued share capital of TeleEye Europe Limited held by Dr. Ma Chi Kit.

Save as disclosed above, and other than a nominee share in a subsidiary held by a director of Signal Communications Limited in trust for the Group, at 31 December 2015, none of the Directors, the Chief Executive of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 31 December 2015 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company, or had exercised any such rights during the six months ended 31 December 2015.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Shares", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 December 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 period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 December 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 of the Company, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 six months ended 31 December 2015 except for the following deviation:

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.

AUDIT COMMITTEE

The audit committee has three members comprising three independent ("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.

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, 12 February 2016

As at the date hereof, the Executive Directors of the Company are Mr. Chen Haining (Chairman of the Company) and Dr. Ma Chi Kit; and the Independent Non-Executive Directors of the Company 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 the 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.