CircuTech International Holdings Limited
訊智海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8051)

2016
Annual Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

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CORPORATE INFORMATION

as at 30 June 2016 and date of this report

BOARD OF DIRECTORS

Executive Directors

Dr. Woo Kwok Fai Louis
(appointed as executive Director on 10 June 2016 and as chairman and chief executive officer on 27 June 2016)
Mr. Hui Lap Shun (appointed on 10 June 2016)
Mr. Chien Yi-Pin (appointed on 10 June 2016)
Ms. Chen Ching-Hsuan
(appointed on 10 June 2016)
Mr. Chen Haining
(resigned as chairman and chief executive officer on 27 June 2016)

Non-executive Director

Mr. Tse Tik Yang Denis
(appointed on 10 June 2016)

Independent Non-executive Directors

Mr. Yeung Wai Hung Peter
(appointed on 10 June 2016)
Ms. Wu Yi Shuan (appointed on 27 June 2016)
Mr. Miao Benny Hua-ben
(appointed on 27 June 2016)

AUDIT COMMITTEE

Ms. Wu Yi Shuan
(chairman, appointed on 27 June 2016)
Mr. Tse Tik Yang Denis
(appointed on 27 June 2016)
Mr. Yeung Wai Hung Peter
(appointed on 27 June 2016)
Mr. Miao Benny Hua-ben
(appointed on 27 June 2016)

REMUNERATION COMMITTEE

Mr. Yeung Wai Hung Peter
(chairman, appointed on 27 June 2016)
Dr. Woo Kwok Fai Louis
(appointed on 27 June 2016)
Mr. Tse Tik Yang Denis
(appointed on 27 June 2016)
Ms. Wu Yi Shuan (appointed on 27 June 2016)
Mr. Miao Benny Hua-ben
(appointed on 27 June 2016)

NOMINATION COMMITTEE

Mr. Miao Benny Hua-ben
(chairman, appointed on 27 June 2016)
Mr. Tse Tik Yang Denis
(appointed on 27 June 2016)
Mr. Yeung Wai Hung Peter
(appointed on 27 June 2016)
Ms. Wu Yi Shuan (appointed on 27 June 2016)

COMPANY SECRETARY

Ms. Lo Yuen Yee, *ACS* (appointed on 27 June 2016)

AUTHORISED REPRESENTATIVES

Dr. Woo Kwok Fai Louis
(appointed on 27 June 2016)
Mr. Tse Tik Yang Denis
(appointed on 27 June 2016)

COMPLIANCE OFFICER

Dr. Woo Kwok Fai Louis
(appointed on 27 June 2016)

CORPORATE INFORMATION

as at 30 June 2016 and date of this report

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

COMPANY WEBSITE

www.teleeye.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board ("**Board**") of directors (the "**Directors**") of CircuTech International Holdings Limited (formerly known as TeleEye Holdings Limited) (the "**Company**" and together with its subsidiaries, the "**Group**"), I hereby present to our shareholders (the "**Shareholders**") the annual report of the Group for the year ended 30 June 2016.

CORPORATE DEVELOPMENT

The Company has undergone a change in controlling shareholder on 12 April 2016 after Foxconn (Far East) Limited ("**FFE**") executed the sale and purchase agreement acquiring 419,060,100 ordinary shares of the Company ("**Shares**"). FFE is a direct subsidiary of Taiwan Stock Exchange-listed Hon Hai Precision Industry Co., Ltd., the largest electronics manufacturing services provider in Hong Kong. Upon the close of the unconditional mandatory general offer on 10 June 2016, FFE held 419,080,100 Shares, constituting an aggregate of approximately 50.07% of the Company's total issued capital.

The new controlling shareholder is dedicated to build upon the Group's international distribution and fulfilment support presence for IT products, and to significantly grow the Group's potential in delivering specialty distribution capabilities for the global IT hardware sector, through innovative collaboration and revenue models.

SUMMARY OF RESULTS

For the financial year under review, the Group's existing video and surveillance product business continued to face anemic demand due to commoditisation of the market and increased competition. Revenue continued to decrease, although moderately. During the financial year, the Group has made conscious efforts in cost-cutting, rationalising overseas divisions and outsourcing certain research and development functions to a contract manufacturing partner. Operating expenses, as a result, have decreased by approximately 10% compared with the previous fiscal year.

OUTLOOK

We believe the foundation and experience of the current team in international distribution and fulfilment support of IT products is the core competence of the Group. We are in the process of strengthening the management team and our overseas organisational structure. With the background and industry influence of our new controlling shareholder, we believe we will be in a much stronger position to pursue new customers and develop innovative business opportunities to further build upon the Group's international distribution and technical support capabilities, notwithstanding the market softness which the industry is facing.

To accelerate the strengthening of the Group's aforesaid core competence, we do anticipate that additional fundraising may from time to time be required to support the working capital and capital expenditure for such business growth. This entails procurement of parts inventories, investments in expanding and revamping overseas organisational infrastructure, hiring, and potentially asset injection by means of stock and/or cash purchase if it is deemed to strategically enhance our capabilities. We expect a series of intense strategy execution in the coming financial year, with a dedicated objective to deliver returns to the Shareholders.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Shareholders and business partners for their continuous support, and to my fellow Directors, our management and all our staff members for their work in this fiscal year. Looking ahead, I will be dedicated to leading the Board to rejuvenate the Company in this coming financial year, and we appreciate your continuous support.

Dr. Woo Kwok Fai Louis
Chairman
Hong Kong, 30 September 2016

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 30 June 2016, the Group recorded a turnover of HK$26,070,000, representing a decrease of about 10% as compared with the turnover of HK$28,941,000 for the preceding year. Loss attributable to the owners of the Company for the year ended 30 June 2016 amounted to HK$8,693,000, representing an approximately 11% increase when compared with the preceding year. Basic loss per Share for the year ended 30 June 2016 narrowed to 1.04 HK cents (2015: 1.13 HK cents). The slight decrease was principally due to increase in the weighted average number of ordinary shares for the purpose of basic and diluted loss per share.

BUSINESS REVIEW

In the current financial year, the commoditisation of video surveillance applications led to an increase in market demand. At the same time, severe competition from Chinese vendors resulted in substantial pressure on our selling prices of the Group's products. It thus resulted in the decrease in total revenue though the sales quantity of the Group's products increased. We have taken numerous measures in order to expand our market share whilst tightening the expenditure of the Group.

SEGMENT INFORMATION

Asia

Turnover for Asia (inclusive of Hong Kong, Singapore, the Middle East and other Asian countries) as a whole for the year ended 30 June 2016 decreased by approximately 7% to approximately HK$18,357,000 (2015: HK$19,798,000). It accounted for approximately 71% (2015: 68%) of the Group's turnover.

Sales in Hong Kong and Philippines increased as the Group won a number of big contracts in the banking and retail segments in the year. On the contrary, sales in the Middle Eastern countries decreased due to the slow down in infrastructure development in these countries.

Europe

Turnover for Europe for the year ended 30 June 2016 decreased by approximately 10% to approximately HK$4,467,000 (2015: HK$4,960,000). It accounted for approximately 17% (2015: 17%) of the Group's turnover.

Despite the increasing security threat in Europe during the current financial year, the economy in Europe remained slow and this has continued to affect our business in the region.

Africa

Turnover for Africa for the year ended 30 June 2016 decreased by approximately 29% to approximately HK$2,636,000 (2015: HK$3,708,000). It accounted for approximately 10% (2015: 13%) of the Group's turnover.

South Africa is our major market in Africa. The weak local currency had a big impact on the import of the Group's products. In addition to the keen competition posed by other vendors, it has resulted in the decease of our Group's sales in the country.

Others

Other geographic segments mainly include the Americas and Australia. It has contributed to about 2% (2015: 2%) of the Group's total turnover this year, which amounted to HK$610,000 (2015: HK$475,000).

PRODUCT DEVELOPMENT

Having encountered numerous challenges in the past few years, the Group remains committed to the existing video surveillance business. The Group intends to continue to develop new and competitive solutions with higher video resolution and higher video analytic capabilities in order to address the market demand. Recently, the Group has just launched new mobile apps that will notify clients instantly if there is an intrusion on their premises.

In the meantime, building on the existing IT product portfolio foundation, the Group will explore new IT products and services that are complementary to the current business offering.

ADMINISTRATIVE EXPENSES

Administrative expenses totalled HK$12,687,000 during the year ended 30 June 2016, which increased by approximately 55.61% when compare to the previous financial year (2015: HK$8,153,000). This was due, to a large extent, to establishment of new base of operation in Hong Kong, and increase in professional fees and expenses of the Company in light of corporate actions and the unconditionally mandatory general offer.

BUSINESS OUTLOOK

With the international IT equipment distribution and fulfilment support infrastructure that the Group has built up over the years and despite continued weakness in its existing product business, the Group sees potential in augmenting the Group's capabilities by introducing innovative revenue models in relation to international distribution and technical support, in order to pursue new, strategic customers to grow the Group's turnover and enhance Shareholder returns.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 30 June 2016 (2015: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2016, the Group employed 22 (2015: 29) full time employees in Hong Kong and 5 (2015: 7) full time employees in the People's Republic of China and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits schemes contributions amounted to HK$9,419,000 (2015: HK$14,139,000).

Employees are remunerated in accordance with individual's responsibility and performance, while remaining competitive with the prevailing market rates. Other fringe benefits such as medical insurance, retirement benefits schemes and discretionary bonus are offered to all employees.

The Board proposes to adopt a new share option scheme at the forthcoming annual general meeting under which share options may be granted at the Directors' discretion to provide incentives or rewards for, among others, Directors' and Employes' contribution to the Group. Please also refer to the circular of the Company dated 30 September 2016 for further details of the proposed adoption of the share option scheme, and a summary of its principal terms.

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$66,282,000 as at 30 June 2016 (30 June 2015: HK$68,715,000), representing approximately 91% (30 June 2015: 86%) of the Group's total assets.

The Group's gearing ratio, as a percentage of bank and other borrowings and long term debt over total assets, as at 30 June 2016 was 0% (30 June 2015: 0%).

CAPITAL STRUCTURE

As of 30 June 2016, the Company had an authorised share capital of HK$80,000,000 divided into 20,000,000,000 shares of a par value of HK$0.004 each ("**Shares**"), of which 836,920,850 Shares were issued.

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 disposed of its 100% equity interest in Green Gas Energy Limited during the year under review. The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the year ended 30 June 2016.

CHARGE OF ASSETS

As at 30 June 2016, the Group did not have any charge on its assets (30 June 2015: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Subsequent to the financial year ended 30 June 2016, the Company has embarked on an investment plan that aims to strengthen the Company's international distribution and fulfilment support capabilities, which include the hiring of staff, as well as procurement of parts and capital equipment to enable fulfilment support. At the current pace of spending, by the end of the quarter ending 30 September 2016, it is anticipated that the cash balance net of payables on capital expenditure of the Company will be reduced to about HK$52,300,000.

To continue executing its investment plan of augmenting its international distribution and fulfilment capabilities, the Group may, depending on circumstances and market conditions, consider the need for fund raising and/or financing from time to time in order to strengthen its human resources, plant and equipment. This will enable the Group to serve the distribution and fulfilment requirements of its own product, but also acquire the capabilities to support strategic third-party original equipment manufacturing partners with innovative revenue models that deliver enhanced value to Shareholders.

In addition, to accelerate the Group's capabilities to offer innovative revenue models in relation to IT hardware distribution and fulfillment support, the Board may contemplate selective strategic investments by means of stock and/or cash when suitable opportunities arise.

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 during the year ended 30 June 2016 (2015: Nil).

CONTINGENT LIABILITIES

As of 30 June 2016, the Group did not have any contingent liabilities (2015: Nil).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Woo Kwok Fai Louis（胡國輝）(“**Dr. Woo**”), aged 68, was appointed as an executive Director on 10 June 2016 and chief executive officer and chairman of the Company on 27 June 2016. He is currently the Special Assistant to the Chief Executive Officer of Hon Hai Precision Industry Co., Ltd (“**Hon Hai**”, the holding company of Foxconn (Far East) Limited, the controlling Shareholder of the Company) and the Head of its Channel Business Group. He is also the Chairman of NCIH Holdings Limited, a member of Hon Hai. Dr. Woo has held senior management positions at various companies, including but not limited to Lernout & Hauspie and AsiaWorks Pte Ltd. Dr. Woo is a 12-year Apple Computers veteran. Dr. Woo holds BSc, MSc, and PhD degrees from Stanford University.

Mr. Hui Lap Shun（許立信）(“**Mr. Hui**”), aged 60, was appointed as executive Director of the Company on 10 June 2016. He is a seasoned entrepreneur in the information technology industry. Mr. Hui was one of the founders of low-cost personal computer company eMachines, Inc. in the 1990s, which was sold to Gateway Inc. in 2004. Mr. Hui acquired European personal computer company Packard Bell BV in 2006, and sold it to Acer Inc. in 2008. He also acquired in 2009 InFocus, a digital display technology company. Mr. Hui currently is the Chairman of Maxnerva Technology Services Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 1037). Mr. Hui has an MBA from McMaster University.

Mr. Chien Yi-Pin (also known as Mark Chien)（簡宜彬）(“**Mr. Chien**”), aged 55, was appointed as executive Director of the Company on 10 June 2016. He is a director with Hon Hai and general manager of NPCEBG, a business group within Hon Hai. Mr. Chien joined Hon Hai in 1991. He studied at Tamkang University. He is also an executive director of Maxnerva Technology Services Limited, a company whose shares are listed on the Stock Exchange (stock code: 1037).

Ms. Chen Ching-Hsuan（陳靜洵）(“**Ms. Chen**”), aged 53, was appointed as executive Director on 10 June 2016. She is a senior director of Hon Hai and the Head of its Global Service Solutions Division. She was previously a manager in Foxconn Assembly LLC. during 2003 and 2007, where she was responsible for cost management for the Global Service Solutions Division in Houston Site. Ms. Chen worked in Intoka Software, Inc. as a software developer from 1997 to 2001 where she was primarily responsible for developing software resources management systems. Ms. Chen was previously a researcher in the Department of Meteorology in the University of Utah between 1995 to 1996 as well as an associate researcher at the Central Weather Bureau in Taiwan from 1987 to 1992. Ms. Chen obtained a postgraduate degree in Atmospheric Sciences from the National Taiwan University in 1987.

Mr. Chen Haining（**陳海寧**）(“**Mr. Chen**”), aged 52, was appointed as an executive Director on 8 April 2015. He graduated from the department of electrical engineering of Chongqing Jianzhu Gongcheng Institute*（重慶建築工程學院）(now known as Chongqing University) with a bachelor’s degree in engineering. Mr. Chen has been appointed as the Chairman of the board of directors of Greenwell Natural Gas & Power Company Limited*（綠源天然氣電力有限公司）since 2005. Mr. Chen is also the general manager and executive director of ShenZhen Dingyi Investment Company Limited*（深圳市鼎一投資有限公司）. Mr. Chen has substantial experience in investing in projects relating to natural resources and heat generation engineering in the PRC. Mr. Chen is currently the Chairman and executive Director of Chinese Energy Holdings Limited, of which its shares are listed on the Stock Exchange. (stock code: 8009)

NON-EXECUTIVE DIRECTOR

Mr. Tse Tik Yang Denis（**謝迪洋**）(“**Mr. Tse**”), aged 40, was appointed as non-executive Director on 10 June 2016. He is the Managing Principal of Asia-IO Holdings Limited. He is also an executive director of Maxnerva Technology Services Limited, a company whose shares are listed on the Stock Exchange (stock code: 1037). He is most recently Head of Asia-Private Investments with Lockheed Martin Investment Management Company. He has sixteen years of private equity direct and fund investment experience in Asia, having worked with J.H. Whitney, CDIB Capital, and HSBC Private Equity (Asia), where he became the first Kauffman Fellow from an Asian venture firm. Mr. Tse is one of Chief Investment Officer Magazine’s “2014 Forty Under Forty”, and was named one of “Asia’s 25 most influential people in private equity” by Asian Investor in 2013. Mr. Tse has an MBA from INSEAD and a BSc (Hon.) from Northwestern University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Hung Peter（**楊偉雄**）(“**Mr. Yeung**”), aged 58, was appointed as independent non-executive Director on 10 June 2016. He is an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 0145), a company listed on the Main Board of the Stock Exchange, since February 2011. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of the High Court of Hong Kong. Mr. Yeung has been a practicing solicitor for over 26 years and a partner of Messrs Hau, Lau, Li & Yeung, Solicitors & Notaries. Mr. Yeung is currently also an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272), a company listed on GEM.

Ms. Wu Yi Shuan（**吳怡萱**）(“**Ms. Wu**”), aged 39, was appointed as independent non-executive Director on 27 June 2016. She is most recently Special Assistant to the managing director at Linpo Group, an international electronic component distributor. Prior to that, Ms. Wu was Chief Administrative Officer with luxury goods maker MCM in Greater China, and before that, she was Senior Finance Manager with Shanghai LiXing Hotel Co. Ltd., the major shareholder of two luxurious hotels in the Shanghai Xintiandi area. Ms. Wu had previously held various finance roles with listed companies in Hong Kong, including TOM Group Limited, PCCW Limited, and Karce International Holding Co. Ltd. She started her career as an auditor with Arthur Andersen/PwC, and qualified as an American Certified Public Accountant in 2004. Ms. Wu graduated with a Bachelor of Science degree from Washington University in St. Louis, and an MBA from the University of Iowa.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Miao Benny Hua-ben（苗華本）(“**Mr. Miao**”), aged 41, was appointed as independent non-executive Director on 27 June 2016. He is currently managing director and Head of Corporate Finance at the Hong Kong Branch of Cathay United Bank and is responsible for its international investment banking business. Mr. Miao was formerly Senior Portfolio Manager with the Dutch pension asset manager APG Asset Management Asia and was responsible for originating, structuring and executing direct and fund investments in Asia-Pacific. Prior to that, Mr. Miao was an investment director with the China-ASEAN Fund where he was involved in originating, structuring and executing direct private equity investments in the ASEAN region. He also worked previously as a Vice President at Citigroup within its Investment Banking and Fixed Income divisions in New York, Australia and Hong Kong. Mr. Miao has a Bachelor of Science degree in Finance from California State Polytechnic University – Pomona, and an MBA from Pennsylvania State University. He is also a Chartered Financial Analyst.

SENIOR MANAGEMENT

Mr. Michael Ichiang Cheng (鄭益強), aged 62, was appointed as the Chief Financial Officer (“**CFO**”) on 12 September 2016. He has over 40 years of experience in accounting, finance and business development in Hong Kong and overseas.

CORPORATE GOVERNANCE REPORT

During the year ended 30 June 2016, the Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") except for the following:

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 the chief executive officer should be clearly established and set out in writing.

As of the date of this report, Dr. Woo Kwok Fai Louis performs both roles. He is responsible for the overall business strategy and development and management of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership which enables the Group to operate efficiently. The Board will meet regularly to consider major matters affecting the operations of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer ("**CEO**").

The Board considers that there is no imminent need to segregate the roles of chairman and CEO but will review the structure on a continuous basis if division of responsibilities between the chairman and CEO should be put in place for maintaining a balance of power and authority.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Corporate Governance Code of the GEM Listing Rules during the year ended 30 June 2016.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring of the business and performance of the Group. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

Due to the change in control of the Company, all the former Directors except Mr. Chen Haining, resigned from directorship of the Company in June 2016.

As of the date of this report, the Board currently comprises 9 Directors, consisting of 5 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, whose names, roles and functions are listed below:

Executive Directors

Dr. Woo Kwok Fai Louis
(chairman of the Board, CEO and member of Remuneration Committee)
Mr. Hui Lap Shun
Mr. Chien Yi-Pin
Ms. Chen Ching-Hsuan
Mr. Chen Haining

Non-executive Director

Mr. Tse Tik Yang Denis *(member of Audit Committee, Nomination Committee and Remuneration Committee)*

Independent Non-executive Directors

Mr. Yeung Wai Hung Peter
(chairman of Remuneration Committee, member of Audit Committee and Nomination Committee)
Ms. Wu Yi Shuan
(chairman of Audit Committee, member of Nomination Committee and Remuneration Committee)
Mr. Miao Benny Hua-ben
(chairman of Nomination Committee, member of Audit Committee and Remuneration Committee)

An updated list of Directors is published on the websites of the Company and GEM. The independent non-executive Directors are expressly identified in all corporate communication pursuant to Code Provision A.3.1. of Appendix 15 to the GEM Listing Rules.

The relationships among the members of the Board are disclosed under "Profile of Directors and Senior Management" on page 9.

In compliance with rule 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors and at least one of them has the appropriate professional qualifications or accounting or related financial management expertise. The non-executive Directors (including independent non-executive Directors) are invited to serve on the various committees of the Company as detailed above.

The Company will use its best efforts to achieve the board diversity policy and ensure that the Board has a balance of skills, experience and diversity which is appropriate to the needs of the Company's business. Selection of candidates will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company.

The current Directors (including non-executive Director and independent non-executive Directors) are appointed for a period commencing from the date of their appointment, up to the date of the forthcoming annual general meeting of the Company. Please refer to the paragraph headed "Directors' Letters of Appointment" of the Directors' Report for more details on the service contracts/letter of appointment of Directors who served the Company during the year ended 30 June 2016 and the Directors proposed for re-election.

In accordance with Article 86(3) of the articles of association of the Company and Code Provision A.4.2 of the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules, Dr. Woo Kwok Fai Louis, Mr. Hui Lap Shun, Mr. Chien Yi-Pin, Ms. Chen Ching-Hsuan, Mr. Tse Tik Yang Denis, Mr. Yeung Wai Hung Peter, Ms. Wu Yi Shuan and Mr. Miao Benny Hua-ben who were appointed by the Board to fill casual vacancies shall be subject to re-election by Shareholders at the forthcoming annual general meeting.

In addition, Mr. Chen Haining will retire from office as a Director in accordance with Article 87(1) of the articles of association. He, being eligible, offers himself for re-election pursuant to 87(2) of the articles of association.

The Nomination Committee has also recommended to the Board that the above-mentioned Directors are eligible for re-election.

Board Meetings, Committee Meetings and General Meetings

The Board has held regular meetings at approximately quarterly intervals with participation by a majority of Directors.

During the year ended 30 June 2016, 11 Board meetings, 4 Audit Committee meetings, 2 Remuneration Committee meetings and 2 Nomination Committee meetings were held. The attendance record of each Director at Board meetings, various committee meetings and general meetings during the financial year are set out below:

	Attendance/Number of meeting					
	Annual general meeting	Extraordinary general meeting	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting
Executive Directors						
Dr. Woo Kwok Fai Louis*						
(Chairman and chief executive officer)	N/A	N/A	2/2	N/A	N/A	N/A
Mr. Hui Lap Shun*	N/A	N/A	0/2	N/A	N/A	N/A
Mr. Chien Yi-Pin*	N/A	N/A	0/2	N/A	N/A	N/A
Ms. Chen Ching-Hsuan*	N/A	N/A	1/2	N/A	N/A	N/A
Mr. Chen Haining	1/1	1/1	9/11	N/A	N/A	N/A
Dr. Ma Chi Kit@	1/1	1/1	7/10	N/A	N/A	N/A
Ms. Wu Hongying^	N/A	N/A	0/0	0/0	0/0	0/0
Non-executive Director						
Mr. Tse Tik Yang Denis*	N/A	N/A	2/2	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yeung Wai Hung Peter*						
(Chairman of the Remuneration Committee)	N/A	N/A	0/1	N/A	N/A	N/A
Ms. Wu Yi Shuan#						
(Chairman of the Audit Committee)	N/A	N/A	0/1	N/A	N/A	N/A
Mr. Miao Benny Hua-ben#						
(Chairman of the Nomination Committee)	N/A	N/A	0/1	N/A	N/A	N/A
Mr. Luk Chi Shing@	1/1	1/1	9/10	4/4	2/2	2/2
Mr. Yau Chi Ming@	1/1	1/1	7/10	3/4	1/2	1/2
Mr. Chang Kin Man@	1/1	0/1	7/10	4/4	2/2	2/2

* appointed on 10 June 2016
# appointed on 27 June 2016
@ resigned on 27 June 2016
^ resigned on 4 August 2015

Minutes of Board meetings are kept by the company secretary and opened for inspection at any reasonable time on reasonable notice by the Directors.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted towards the quorum at meetings for the purposes of approving transactions in which such Directors or any of their associates have a material interest.

Directors' induction, continuous training and professional development

The Company has organised an induction for the Directors who were recently appointed in June 2016 in order to ensure that they have a proper understanding of the Company's operations and business and basic knowledge on insider dealings and responsibilities of directors pursuant to the GEM Listing Rules and other applicable laws in Hong Kong.

For the former Directors, they have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations, roles, functions, duties and responsibilities of directors as well as the latest amendments to the GEM Listing Rules.

To assist the Board in discharging its duties, the Board is supported by three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The terms of reference for the abovementioned committees are published on the websites of the Stock Exchange and the Company.

BOARD COMMITTEES

Audit Committee

The Audit Committee has adopted written terms of reference in compliance with Code Provision C.3.3. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has been assisted by the professional accounting firm engaged by the Group, which will conduct regular internal audits and report to the Audit Committee/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 risk management, financial reporting and internal control procedures of the Group.

During the period from 1 July 2015 to 27 June 2016, members of the Audit Committee comprised of 3 independent non-executive Directors, namely Mr. Chang Kin Man (then chairman), Mr. Luk Chi Shing and Mr. Yau Chi Ming. The Audit Committee has held four meetings during the financial year ended 30 June 2016 and was responsible for reviewing annual reports for the year ended 30 June 2015, quarterly and interim results up to 31 March 2016 and result announcements for the respective period for submission to the Board for approval.

Following the change of Directors on 27 June 2016, Ms. Wu Yi Shuan (chairman), Mr. Tse Tik Yang Denis, Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben were appointed as members of the Audit Committee in place of Mr. Chang, Mr. Luk and Mr. Yau. The external auditor performs independent statutory audit on the Group's financial statements and as part of the audit engagement, reports to the Audit Committee any significant deficiencies (if any) in the Group's internal control system which might come to their attention during the course of audit.

The annual results, including the consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income and related notes thereto for the year ended 30 June 2016 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee has adopted written terms of reference in compliance with Code Provision B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During the period from 1 July 2015 to 27 June 2016, members of the Remuneration Committee comprised of 3 independent non-executive Directors, namely Mr. Luk Chi Shing (then chairman), Mr. Yau Chi Ming and Mr. Chang Kin Man. The Remuneration Committee has held two meetings during the financial year ended 30 June 2016 and was responsible for formulating and making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management, assessing performance of the executive Directors, approving the terms of service agreement of executive Directors, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Following the change of Directors on 27 June 2016, Mr. Yeung Wai Hung Peter (chairman), Dr. Woo Kwok Fai Louis, Mr. Tse Tik Yang Denis, Ms. Wu Yi Shuan and Mr. Miao Benny Hua-ben were appointed as members of the Remuneration Committee in place of Mr. Luk, Mr. Yau and Mr. Chang.

Nomination Committee

The Nomination Committee has adopted written terms of reference in compliance with Code Provision A.5.2. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to implement the Group's Board Diversity Policy by reviewing the composition of the Board, identifying suitable candidates for the appointment and re-election of Directors, assessing the independence of independent non-executive Directors and monitoring the succession planning of Directors.

During the period from 1 July 2015 to 27 June 2016, members of the Nomination Committee were Mr. Chen Haining (then chairman), Mr. Luk Chi Shing and Mr. Yau Chi Ming. The Nomination Committee has held two meetings during the financial year ended 30 June 2016 and was responsible for evaluating and making recommendations for the re-election of directors at the 2016 annual general meeting held on 11 November 2016 and identifying suitably qualified candidates to become members of the Board.

Following the change of Directors on 27 June 2016, Mr. Miao Benny Hua-ben (chairman), Mr. Tse Tik Yang, Mr. Yeung Wai Hung Peter and Ms. Wu Yi Shuan were appointed as members of the Nomination Committee in place of Mr. Chen, Mr. Luk and Mr. Yau.

As at the date of this report, members of the Nomination Committee are Mr. Miao Benny Hua-ben (chairman), Mr. Tse Tik Yang Denis, Mr. Yeung Wai Hung Peter and Ms. Wu Yi Shuan, who are responsible for assessing the independence of each of the independent non-executive Directors and evaluating and making recommendations for the re-election of directors at the forthcoming AGM.

DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

For the year ended 30 June 2016, 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. Upon the Company's specific enquiry, each of the Directors (including former Directors who acted as Director during the year) has confirmed that during his tenure as Director in the year ended 30 June 2016, he had fully complied with the required standard of dealings and there was no event of non-compliance.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in Code Provision D.3.1. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, and the Company's compliance with the Corporate Governance Code of the GEM Listing Rules and disclosures in the Corporate Governance Report.

INTERNAL CONTROL

The Board is responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of shareholders and the assets of the Company. The Board has conducted a review of the effectiveness of the internal control system during the year under review, based on the advice received from the external auditors and the Audit Committee. The review covered financial, operational and compliance controls and risk management functions of the Company and its subsidiaries as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Board considered that the internal control system of the Company and the annual review of its subsidiaries are effective and adequate.

COMMUNICATIONS WITH THE SHAREHOLDERS

The Board endeavors to maintain an on-going dialogue with shareholders and, in particular, use the annual general meeting or other general meetings to communicate with shareholders and encourage their participation in such meetings. The Company regards the annual general meeting as an important event in the corporate year and Directors and senior management make an effort to attend and answer questions from shareholders about the business and performance of the Company. Certain Directors (including certain independent non-executive Directors) attended the annual general meeting for 2015 held on 13 November 2015 and made themselves available for shareholders' questions. Please also refer to paragraph headed "Board Meetings, Committee Meetings and General Meetings" above.

COMPANY SECRETARY

Due to the change in control of the Company, Mr. Choi Wai Yip resigned as company secretary on 27 June 2016 and Ms. Lo Yuen Yee was appointed on the same date in his place. Ms. Lo is delegated by an external service provider and the primary contact of the Company is Mr. Cheng Ichiang Michael, the chief financial officer of the Company.

DIRECTORS AND OFFICERS INSURANCE

During the year ended 30 June 2016, the Company has arranged insurance cover in respect of legal action against its Directors and officers.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, half-yearly and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules and other statutory requirements.

The Directors acknowledge their responsibility in preparing the consolidated financial statements of the Company for the year ended 30 June 2016. The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensure that such financial statements reflect a true and fair view of the state of affairs of the Company. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The auditor to the Company acknowledges their reporting responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 30 June 2016.

AUDITOR'S REMUNERATION

Apart from the statutory audit of the Group's consolidated financial statements, the Company has engaged the external auditors for the provision of non-audit services. The remuneration paid/payable to the auditors of the Group are set out as follows:–

	Paid/payable for the year ended 30 June	
Services rendered	**2016**	**2015**
	HK$'000	*HK$'000*
Statutory audit services by HLB Hodgson Impey Cheng Limited	400	300
Non-audit services by HLB Hodgson Impey Cheng Limited	50	–
Statutory audit services by James Cowper Kreston	41	42
Statutory audit services by Shenzhen Deyuan Certified Public Accountants	–	4

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the re-election of individual Directors. Save as provided under the GEM Listing Rules, resolutions put to vote at the general meetings of the Company (other than purely administrative and procedural matters) are taken by poll and poll results are posted on the respective websites of the Company and the Stock Exchange after the general meetings. Notice of the general meetings, annual/interim/quarterly reports and circulars have been sent to shareholders in compliance with the requirements of the GEM Listing Rules.

Convening an extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company, extraordinary general meetings of the Company ("**EGM**") shall be convened on the requisition of any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company and carrying the right of voting at general meetings of the Company, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Company fails to proceed to convene such meeting, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "**Policy**") whereby the Company's information shall be communicated to shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (annual, interim and quarterly reports), and its corporate communications and other corporate publications on the websites of the Stock Exchange and the Company. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary at the Company's principal place of business in Hong Kong at 31/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong. The Company secretary shall forward enquiries and concerns received to the Board and/or its committee to, where appropriate, answer the same.

Putting forward proposals at general meeting

The number of shareholders necessary for putting forward a proposal at a general meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings on the date of the request.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

During the year ended 30 June 2016, there had been no significant changes in the Company's constitutional documents.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company with its shares listed on the GEM of the Stock Exchange. The principal activities of its subsidiaries are set out in Note 26 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 30 June 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

The Directors do not recommend the payment of dividend.

2016 ANNUAL GENERAL MEETING

The AGM will be held at 2:00 p.m. on Friday, 11 November 2016 at Meeting Room 4, 1/F, Core Building 1, Phase 1, Science Park, Sha Tin, New Territories, Hong Kong. Shareholders whose names are recorded in the Company's register of members as of Wednesday, 9 November 2016 after close of trading sessions of the Stock Exchange will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by relevant share certificate must be lodged with the Hong Kong branch share registrar and transfer office in Hong Kong Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 November 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 19 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year ended 30 June 2016 are set out in the consolidated statement of changes in equity on page 31.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves that are available for distribution to its shareholders as at 30 June 2016 comprise of share premium, share options reserve and accumulated loss in aggregate amounting to HK$62,183,000 (2015: HK$67,445,000) provided that, after distribution, the Company will be able to pay its debts as they fall due in the ordinary course of business.

SHARE OPTIONS

Pursuant to a resolution passed on 28 October 2003, a share option scheme was adopted. The above share option scheme had expired and no option remained outstanding as at 30 June 2016. Details of the share option scheme of the Company are set out in Note 20 to the consolidated financial statements.

The Board proposes to adopt a new share option scheme in the forthcoming annual general meeting, please also refer to the paragraph headed "Employee and Remuneration Policy" in this report for further information.

SEGMENTAL INFORMATION

Details of segment reporting are set out in note 7 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2016:

(i) the Group's largest customer and five largest customers accounted for approximately 12% and 41% of the Group's total turnover.

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 29% and 76%, respectively, of the Group's total purchases (not including purchases of items which are of capital nature).

During the year, the aggregate amount of purchase attributable to the Group's largest supplier and aggregate amount of turnover attributable to the Group's largest customer were less than 30% of that total amount of the Group.

None of the Directors, their close associates (within the meaning of the GEM Listing Rules) or any shareholder (which to the knowledge of the Directors, who owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest suppliers or customers.

DIRECTORS' LETTERS OF APPOINTMENT

All the former independent non-executive Directors who served their terms of office during the year ended 30 June 2016 have entered into service contracts with the Company for a initial term of one year and should continue thereafter unless and until terminated by either party by giving to the other not less than one month's notice in writing.

Each of the Directors is expected to enter into a letter of appointment with the Company after his proposed re-election at the forthcoming annual general meeting, for an initial term of one year, subject to renewal, retirement and re-election in accordance with the articles of association of the Company and the GEM Listing Rules. Such letters of appointment may be terminated by either party giving three months written notice or otherwise in accordance with its terms.

None of the Directors being proposed for re-election at the annual general meeting has any service contract/letter of appointment with the Company or its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

DIRECTORS' AND SENIOR MANAGEMENTS BIOGRAPHIES

Please refer to page 14 of this report for the list of Directors during the financial year ended 30 June 2016 and as at the date of this report. Biographical details of the current Directors and senior management are set out on pages 9 to 11 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As of 30 June 2016, none of the Directors, and chief executive of the Company is interested in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required under Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO or which were required under Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors 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 year.

CONNECTED TRANSACTIONS

A summary of the material related party transactions entered into by the Group during the year ended 30 June 2016 is contained in note 24 of the notes to the consolidated financial statement. None of the transactions described therein fall under the definition of connected transaction which are not fully exempted from shareholders' approval, annual review and all disclosure requirement under Chapter 20 of the GEM Listing Rule.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES

As at 30 June 2016, so far as is known to the Directors and chief executive of the Company, the interests and short positions of the persons or corporations in the Shares or underlying Shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in Shares

Name of shareholders	Capacity	Number of Shares held/ interested	Percentage of the issued share capital of the Company (approximately)
Foxconn (Far East) Limited	Beneficial owner	419,080,100	50.07%
Hon Hai Precision Industry Co., Ltd	Interest in controlled corporation	419,080,100	50.07%

Note:

Foxconn (Far East) Limited is a wholly owned subsidiary of Hon Hai Precision Industry Co. Ltd., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 2317.TW). Hon Hai Precision Industry Co. Ltd. is deemed to be interested in the shares of the Company held by Foxconn (Far East) Limited under the SFO.

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any other persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and the underlying Shares under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SIGNIFICANT CONTRACTS

There was no contract of significance between the Company or one of its subsidiaries on the one hand, and a controlling shareholder or any of its subsidiaries on the other, subsisting during or at the end of the year ended 30 June 2016. There was also no other contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during or at the end of the same period.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Other than the related party transaction disclosed in Note 24 to the consolidated financial statements, no transactions, arrangements, contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company still considers all of the independent non-executive Directors to be independent.

EMOLUMENT POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Company are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Please also refer to the paragraph headed "Employee and Remuneration Policy" of this report for the Group's emolument policy.

COMPETITION AND CONFLICT OF INTERESTS

For the year ended 30 June 2016, the Directors are not aware of any business or interest of the Directors, substantial shareholders nor the management shareholders of the Company (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group or have any other conflicts of interests which any such person has or may have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained a sufficient public float of not less than 25% under the GEM Listing Rules based on information publicly available and within the knowledge of the Directors.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report set out on pages 12 to 19.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the existing directors of the Company is currently in force.

EQUITY-LINKED AGREEMENT

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year ended 30 June 2016.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committeed to the long term substainabiity of the environment and communities in which it operates. Green initiatives and measures including recycling of resources, energy saving and eco-friendly management practice, have been adopted in the daily operation of the Group. As a responsible corporation, to the best knowledge of the Directors the Group has complied with all relevant laws and regulations regarding environmental protection during the year ended 30 June 2016.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 30 June 2016.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

AUDITOR

The accounts for the year ended 30 June 2016 were audited by Messrs HLB Hodgson Impey Cheng Limited whose term of office will expire upon the close of the forthcoming AGM. A resolution for the re-appointment of Messrs HLB Hodgson Impey Cheng Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual financial meeting.

OTHER EVENTS

Increase in Authorised Share Capital, Share Subdivision, and Change of Board Lot Size

Effective on 14 August 2015 and with the approval of, among others, the shareholders of the Company at the extraordinary general meeting held on 13 August 2015, (i) the authorised share capital of the Company was increased from HK$8,000,000 divided into 40,000,000 shares of HK$0.20 each to HK$80,000,000 divided into 400,000,000 shares by the creation of an additional 360,000,000 shares, and (ii) ordinary shares of the Company with a then par value of HK$0.20 were divided into 50 ordinary shares with a par value of HK$0.004 each. The board lot size of the Shares for trading on the Stock Exchange was changed to 10,000 Shares from 1,000 ordinary shares following the said share subdivision becoming effective.

Change of Controlling Shareholder and Mandatory Unconditional Cash Offer

On 12 April 2016, Fast Upgrade Limited (as vendor) and Mr. Chen Haining (as guarantor of Fast Upgrade Limited) entered into an agreement ("**Sale and Purchase Agreement**") with Foxconn (Far East) Limited, pursuant to which Foxconn (Far East) Limited acquired 419,060,100 shares (representing approximately 50.07% of the issued share capital of the Company at the relevant time) at a cash consideration of HK$0.55 per share (i.e. HK$230,483,055 in aggregate). Following the completion of the Sale and Purchase Agreement on 12 April 2016, Foxconn (Far East) Limited became interested in 419,060,100 shares. Foxconn (Far East) Limited made an unconditional mandatory cash offer ("**Offer**") to acquire all the issued shares of the Company not already owned and/or agreed to be acquired by it or parties acting in concert with it at a price of HK$0.55 per share. The Offer closed on 10 June 2016 and 20,000 shares were tendered for acceptance. After the completion of the offer, Foxconn (Far East) Limited was interested in 419,080,100 shares.

Please also refer to the joint announcement issued by the Company and Foxconn (Far East) Limited dated 14 April 2016, the composite document issued by the Company and Foxconn (Far East) Limited on 20 May 2016, and the joint announcement issued by the Company and Foxconn (Far East) Limited dated 10 June 2016, respectively.

DIRECTORS' REPORT

Change of Directors, Chairman of the Board, Chief Executive Officer, Compliance Officer, Authorised Representatives and Company Secretary

During the financial year ended 30 June 2016, Dr. Woo Kwok Fai Louis, Mr. Hui Lap Shun, Mr. Chien Yi-Pin and Ms. Chen Ching-Hsuan were appointed as executive Directors, Mr. Tse Tik Yang Denis was appointed as non-executive Director, and Mr. Yeung Wai Hung Peter, Ms. Wu Yi Shuan, and Mr. Miao Benny Hua-ben were appointed as independent non-executive Directors. Each of them will retire, in accordance with the articles of association of the Company, and being eligible, each of them, offer themselves for re-election by the shareholders of the Company at the forthcoming annual general meeting of the Company.

With effect from 4 August 2015, Ms. Wu Hongying resigned as an Executive Director. Due to a change in control of the Company, after the close of the Offer and on 10 June 2016, Dr. Ma Chi Kit resigned as executive Director, and Mr. Luk Chi Shing, Mr. Yau Chi Ming and Mr. Chang Kin Man resigned as independent non-executive Directors on 27 June 2016.

Dr. Woo Kwok Fai Louis has been appointed as the chairman of the Board, the chief executive officer and compliance officer of the Company in place of Mr. Chen Haining with effect from 27 June 2016.

Following her resignation as Director, Ms. Wu Hongying ceased to be the authorised representative of the Company with effect from 6 August 2015. Mr. Chen Haining was appointed in her place. Following the change of control of the Company, with effect from 27 June 2016, Dr. Woo Kwok Fai Louis and Mr. Tse Tik Yang Denis have been appointed as the authorised representatives under the GEM Listing Rules in place of Mr. Chen Haining and Mr. Choi Wai Yip. Dr. Woo has also been appointed as the authorised representative under the Companies Ordinance for acceptance of services and process on the same date.

Ms. Lo Yuen Yee has been appointed as the company secretary of the Company with effect from 27 June 2016 in place of Mr. Choi Wai Yip.

EVENTS AFTER THE REPORTING PERIOD

Change of Company Name

The name of the Company has been changed from "TeleEye Holdings Limited 千里眼控股有限公司" to "CircuTech International Holdings Limited 訊智海國際控股有限公司" with effect from 30 August 2016 with the approval of, among others, the shareholders of the Company at the extraordinary general meeting held on 30 August 2016.

Change of Financial Year End Date

On 30 September 2016, the Board resolved that that the Company's financial year end date would be changed from 30 June to 31 December. Please also refer to the announcement of the Company dated 30 September 2016 in this relation for further information.

On behalf of the Board
Dr. Woo Kwok Fai Louis
Chairman and Chief Executive Officer

Hong Kong, 30 September 2016

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF
CIRCUTECH INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS TELEEYE HOLDINGS LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CircuTech International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 75, which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 30 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTES	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*7*	**26,070**	28,941
Cost of sales		**(15,420)**	(18,239)
Gross profit		**10,650**	10,702
Other income	*8*	**135**	2,496
Selling and distribution costs		**(3,921)**	(8,403)
Administrative expenses		**(12,687)**	(8,153)
Research and development expenditure		**(2,932)**	(4,579)
Loss before taxation	*9*	**(8,755)**	(7,937)
Income tax	*11*	**–**	–
Loss for the year		**(8,755)**	(7,937)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**755**	(332)
Change in fair value on available-for-sale investments		**–**	598
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		**–**	(2,108)
Other comprehensive income/(expense) for the year		**755**	(1,842)
Total comprehensive expense for the year		**(8,000)**	(9,779)
Loss for the year attributable to:			
Owners of the Company		**(8,693)**	(7,843)
Non-controlling interests		**(62)**	(94)
		(8,755)	(7,937)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(8,019)**	(9,723)
Non-controlling interests		**19**	(56)
		(8,000)	(9,779)
Loss per share	*12*		
– Basic		**1.04 cents**	1.13 cents
– Diluted		**1.04 cents**	1.13 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	13	**227**	353
Capitalised development costs	14	**757**	2,119
		984	2,472
Current assets			
Inventories	15	**2,901**	5,289
Trade and other receivables	16	**2,740**	3,700
Bank balances and cash	17	**66,282**	68,715
		71,923	77,704
Current liabilities			
Trade and other payables	18	**2,639**	1,908
Net current assets		**69,284**	75,796
Total assets less current liabilities		**70,268**	78,268
Capital and reserves			
Share capital	19	**3,348**	3,348
Reserves		**67,396**	75,415
Equity attributable to owners of the Company		**70,744**	78,763
Non-controlling interests		**(476)**	(495)
Total equity		**70,268**	78,268

The consolidated financial statements on pages 29 to 75 were approved and authorised for issue by the Board of Directors on 30 September 2016 and are signed on its behalf by:

Dr. Woo Kwok Fai Louis *DIRECTOR*	**Ms. Chen Ching-Hsuan** *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	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 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
Loss for the year	–	–	–	–	–	–	(8,693)	(8,693)	(62)	(8,755)
Other comprehensive income for the year										
Exchange differences arising on translating foreign operations	–	–	674	–	–	–	–	674	81	755
Total comprehensive (expense)/ income for the year	–	–	674	–	–	–	(8,693)	(8,019)	19	(8,000)
At 30 June 2016	**3,348**	**85,917**	**50**	**–**	**–**	**14,990**	**(33,561)**	**70,744**	**(476)**	**70,268**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(8,755)**	(7,937)
Adjustments for:			
Amortisation of capitalised development costs		**1,682**	1,579
Depreciation of property, plant and equipment		**126**	112
Reversal of allowance for obsolete stocks		**(327)**	(387)
Write down of inventories		**1,241**	960
Reversal of allowance for bad and doubtful debts		**(1)**	(26)
Dividend income from listed equity securities		**–**	(195)
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments		**–**	(2,108)
Interest income from bank deposits		**(9)**	(1)
Loss/(Gain) on disposal of property, plant and equipment		**5**	(259)
Operating cash flows before movements in working capital		**(6,038)**	(8,262)
Decrease in inventories		**1,474**	3,553
Decrease in trade and other receivables		**961**	546
Increase/(Decrease) in trade and other payables		**751**	(527)
Cash used in operations		**(2,852)**	(4,690)
Interest received		**9**	1
NET CASH USED IN OPERATING ACTIVITIES		**(2,843)**	(4,689)
INVESTING ACTIVITIES			
Dividend income received		**–**	195
Increase in capitalised development costs		**(320)**	(621)
Purchases of property, plant and equipment		**(12)**	(221)
Disposal of subsidiaries	*25*	**(20)**	–
Proceeds on disposal of property, plant and equipment		**–**	260
Proceeds on disposal of available-for-sale investments		**–**	7,546
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(352)**	7,159
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	58,726
NET CASH GENERATED FROM FINANCING ACTIVITIES		**–**	58,726
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,195)**	61,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**68,715**	7,844
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**762**	(325)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**66,282**	68,715

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 parent is Foxconn (Far East) Limited, a company incorporated in the Cayman Islands and its ultimate parent is Hon Hai Precision Industry Co., Ltd, a company incorporated in Taiwan. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are research and development and sales and marketing of video surveillance systems.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

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

HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[5]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[4]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 7	Disclosure Initiative[6]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]
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 HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 January 2017

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: *Identify the contract(s) with a customer*
- Step 2: *Identify the performance obligations in the contract*
- Step 3: *Determine the transaction price*
- Step 4: *Allocate the transaction price to the performance obligations in the contract*
- Step 5: *Recognise revenue when (or as) the entity satisfies a performance obligation*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors are assessing the impact of HKFRS 15 but it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors are assessing the impact of HKFRS 16 but it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees after 1 July 2005

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to employees before 1 July 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets – Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one month, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgement and key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for inventories

The management of the Group reviews an ageing analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items especially technology solution system identified that are of minimal resale value due to technological changes. The management estimates the net realisable value for such inventory based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items.

Estimated impairment of capitalised development costs

Determining whether capitalised development costs is impaired requires an estimation of the recoverable amount determined by the value in use of the capitalised development costs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the capitalised development costs and a suitable discount rate in order to calculate the present value. The Group carries out an impairment review assessment on a product-by-product basis in respect of the capitalised development costs at the end of the reporting period and no impairment is made for the years ended 30 June 2016 and 2015.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
– Trade and other receivables	**2,358**	3,198
– Bank balances and cash	**66,282**	68,715
	68,640	71,913
Financial liabilities		
Amortised cost:		
– Trade and other payables	**2,621**	1,773

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 49% (2015: 50%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 32% (2015: 45%) of costs are denominated in the group entity's functional currencies.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
British Pound ("GBP")	**626**	298	**2,352**	1,337
Renminbi ("RMB")	**4**	16	**31**	94

The Group currently does not have a foreign currency hedging policy. However, the directors continuously monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations in GBP and RMB.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss where Hong Kong dollars weaken 5% (2015: 5%) against the relevant currencies. For a 5% (2015: 5%) strengthening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	Impact of GBP		**Impact of RMB**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss	**86**	52	**1**	4

5. **FINANCIAL INSTRUMENTS** *(continued)*

(b) **Financial risk management objectives and policies** *(continued)*

Market risk *(continued)*

(ii) Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of bank balances to interest rate risk is not significant as fluctuation of savings interest rates on bank balance is minimal. The Group currently does not have a policy on hedges of interest rate risk. However, the directors monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

At 30 June 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

Liquidity tables

	On demand or less than 3 months	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	HK$'000	*HK$'000*	*HK$'000*
2016			
Non-derivative financial liabilities			
Trade and other payables	**2,621**	**2,621**	**2,621**
2015			
Non-derivative financial liabilities			
Trade and other payables	1,773	1,773	1,773

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

The gearing ratio at the end of the reporting period was as follows:

	2016	2015
	HK$'000	*HK$'000*
Debt *(i)*	**–**	–
Equity *(ii)*	**70,744**	78,763
Gearing ratio	**–%**	–%

(i) Debt is defined as borrowings.

(ii) Equity includes all capital and reserves of the Group.

7. 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 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.

7. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia	**18,357**	19,798	**954**	2,419
Europe	**4,467**	4,960	**30**	53
Africa	**2,636**	3,708	**–**	–
Others	**610**	475	**–**	–
	26,070	28,941	**984**	2,472

Information about major customers

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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**3,133**	N/A[1]
Customer B	**2,629**	3,055

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

8. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Other income is analysed as follows:		
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
Interest income from bank deposits	9	1
Others	126	192
	135	2,496

9. LOSS BEFORE TAXATION

	2016 HK$'000	2015 HK$'000
Loss before taxation has been arrived at after charging/(crediting):		
Staff salaries and other benefits (including directors' remuneration)	9,013	13,528
Retirement benefits schemes contributions	406	611
Total staff costs	9,419	14,139
Less: Amount capitalised as development costs	(320)	(621)
	9,099	13,518
Amortisation of capitalised development costs (included in research and development expenditure)	1,682	1,579
Auditors' remuneration	441	346
Depreciation of property, plant and equipment	126	112
Loss/(Gain) on disposal of property, plant and equipment	5	(259)
Net foreign exchange loss	1,160	115
Reversal of allowance for bad and doubtful debts	(1)	(26)
Reversal of allowance for obsolete stocks (included in cost of sales)	(327)	(387)
Write down of inventories (included in cost of sales)	1,241	960
Cost of inventories recognised as an expense	14,392	16,762

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the fourteen (2015: twelve) directors were as follows:

2016

		Other emoluments		
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Contributions to retirement benefit schemes *HK$'000*	Total *HK$'000*
Executive directors				
Dr. Woo Kwok Fai Louis *(Chief Executive) (note (i))*	–	–	–	–
Mr. Hui Lap Shun *(note (ii))*	–	–	–	–
Mr. Chien Yi Pin *(note (ii))*	–	–	–	–
Ms. Chen Ching Hsuan *(note (ii))*	–	–	–	–
Mr. Chen Haining *(note (iii))*	–	800	12	812
Ms. Wu Hongying *(note (iv))*	23	–	1	24
Dr. Ma Chi Kit *(note (v))*	–	320	7	327
Non-executive directors				
Mr. Tse Tik Yang Denis *(note (ii))*	–	–	–	–
Independent non-executive directors				
Mr. Yeung Wai Hung Peter *(note (ii))*	7	–	–	7
Ms. Wu Yi Shuan *(note (vi))*	1	–	–	1
Mr. Miao Benny Hua Ben *(note (vi))*	1	–	–	1
Mr. Luk Chi Shing *(note (vii))*	120	–	–	120
Mr. Yau Chi Ming *(note (vii))*	120	–	–	120
Mr. Chang Kin Man *(note (vii))*	120	–	–	120
	392	1,120	20	1,532

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

2015

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000	Total HK$'000
Executive directors				
Mr. Chen Haining *(Chief Executive) (note (iii))*	–	–	–	–
Ms. Wu Hongying *(note (iv))*	55	–	3	58
Prof. Chan Chok Ki *(note (viii) & (ix))*	–	1,574	15	1,589
Dr. Ma Chi Kit	–	762	15	777
Mr. Ho Ka Ho *(note (viii))*	–	702	15	717
Dr. Chan Cheung Fat *(note (viii))*	–	140	–	140
Independent non-executive directors				
Mr. Luk Chi Shing *(note (vii))*	28	–	–	28
Mr. Yau Chi Ming *(note (vii))*	28	–	–	28
Mr. Chang Kin Man *(note (vii))*	28	–	–	28
Prof. Siu Wan Chi *(note (viii))*	45	–	–	45
Prof. Ching Pak Chung *(note (viii))*	45	–	–	45
Mr. To Ka Ho *(note (viii))*	45	–	–	45
	274	3,178	48	3,500

Notes:

(i) Dr. Woo Kwok Fai Louis was appointed as the director of the Company on 10 June 2016 and was appointed as the Chief Executive of the Company on 27 June 2016. His emoluments disclosed above include those for services rendered by him as Chief Executive.

(ii) Appointed on 10 June 2016.

(iii) Mr. Chen Haining was appointed as the director of the Company on 8 April 2015. He was also the Chief Executive of the Company but resigned as the Chief Executive of the Company on 27 June 2016. His emoluments disclosed above include those for services rendered by him as the Chief Executive.

(iv) Appointed on 8 April 2015 and resigned on 4 August 2015.

(v) Resigned on 27 June 2016.

(vi) Appointed on 27 June 2016.

(vii) Appointed on 8 April 2015 and resigned on 27 June 2016.

(viii) Resigned on 8 April 2015.

(ix) Prof. Chan Chok Ki was also the Chief Executive of the Company prior to his resignation on 8 April 2015 and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

The five highest paid individuals included one (2015: three) directors, details of whose emoluments are set out above. The emoluments of the remaining four (2015: two) individuals, which fall within the band of nil to HK$1,000,000 for each of the two years ended 30 June 2016 and 2015, were as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries and other benefits	**1,818**	962
Contributions to retirement benefits schemes	**60**	36
	1,878	998

During each of the two years ended 30 June 2016 and 2015, no emoluments were paid by the Group to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the years ended 30 June 2016 and 2015.

11. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No Hong Kong Profits Tax has been made for the year ended 30 June 2016 as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against the assessable profits generated during the year. No Hong Kong Profits Tax has been made for the year ended 30 June 2015 as the Company and its subsidiaries did not generate any assessable profits for the year.

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

11. INCOME TAX *(continued)*

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:

	2016 HK$'000	2015 HK$'000
Loss before taxation	**(8,755)**	(7,937)
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	**(1,445)**	(1,310)
Tax effect of expenses not deductible for tax purpose	**301**	12
Tax effect of income not taxable for tax purpose	**(29)**	(568)
Tax effect of tax losses not recognised	**1,300**	1,971
Utilisation of tax losses previously not recognised	**(63)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(72)**	(88)
Others	**8**	(17)
Tax charge for the year	**–**	–

12. LOSS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(8,693)**	(7,843)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**836,921**	693,850

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 the year ended 30 June 2015 does not assume the exercise of the Company's share options since their exercise would result in decrease in loss per share.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 July 2014	450	219	2,113	784	3,566
Exchange adjustments	–	(1)	(48)	–	(49)
Additions	26	68	127	–	221
Disposals	(30)	–	(175)	(784)	(989)
At 30 June 2015	446	286	2,017	–	2,749
Exchange adjustments	(7)	(2)	(88)	–	(97)
Additions	–	–	12	–	12
Disposals	–	(4)	(206)	–	(210)
At 30 June 2016	**439**	**280**	**1,735**	**–**	**2,454**
DEPRECIATION					
At 1 July 2014	450	206	1,874	784	3,314
Exchange adjustments	–	(1)	(41)	–	(42)
Provided for the year	1	9	102	–	112
Eliminated on disposals	(30)	–	(174)	(784)	(988)
At 30 June 2015	421	214	1,761	–	2,396
Exchange adjustments	(7)	(2)	(81)	–	(90)
Provided for the year	9	16	101	–	126
Eliminated on disposals	–	(4)	(201)	–	(205)
At 30 June 2016	**423**	**224**	**1,580**	**–**	**2,227**
CARRYING AMOUNTS					
At 30 June 2016	**16**	**56**	**155**	**–**	**227**
At 30 June 2015	25	72	256	–	353

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20% – 33$^1/_3$% or over the lease term, whichever is shorter
Furniture and fixtures	20%
Office equipment	20% – 33$^1/_3$%
Motor vehicle	33$^1/_3$%

14. CAPITALISED DEVELOPMENT COSTS

	HK$'000
COST	
At 1 July 2014	16,461
Additions	621
At 30 June 2015	17,082
Additions	320
At 30 June 2016	**17,402**
AMORTISATION	
At 1 July 2014	13,384
Provided for the year	1,579
At 30 June 2015	14,963
Provided for the year	1,682
At 30 June 2016	**16,645**
CARRYING AMOUNTS	
At 30 June 2016	**757**
At 30 June 2015	2,119

Development costs recognised as an asset are amortised using the straight-line method over three years from the date it is available for use.

The directors reviewed the carrying value of the capitalised development costs at the end of the reporting period with reference to the discounted future cash flows from the products developed. They determined that no impairment loss should be made at 30 June 2016 and 2015.

15. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**1,393**	2,370
Finished goods	**1,508**	2,919
	2,901	5,289

16. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**1,467**	2,266
Less: Allowance for bad and doubtful debts	**(11)**	(140)
	1,456	2,126
Prepayments, deposits and other receivables	**1,284**	1,574
Total trade and other receivables	**2,740**	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:

	2016 HK$'000	2015 HK$'000
Current and less than 1 month overdue	**1,314**	1,987
1 to 3 months overdue	**142**	104
More than 3 months overdue	**–**	35
	1,456	2,126

16. TRADE AND OTHER RECEIVABLES *(continued)*

Before accepting new customers, the Group assesses the potential customers' credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$612,000 (2015: HK$1,255,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, as the Group considered such balance could be recovered based on historical experience. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	*HK$'000*
Less than 3 months overdue	**612**	1,220
More than 3 months overdue	**–**	35
	612	1,255

Movement in the allowance for bad and doubtful debts

	2016	2015
	HK$'000	*HK$'000*
At beginning of the year	**140**	305
Reversal of allowance for bad and doubtful debts	**(1)**	(26)
Amounts written off as uncollectible	**(126)**	(131)
Exchange adjustments	**(2)**	(8)
At end of the year	**11**	140

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$11,000 (2015: HK$140,000) which were past due and not recoverable as the debtors are experiencing financial difficulties. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER RECEIVABLES *(continued)*

Ageing of impaired trade receivables

	2016 HK$'000	2015 HK$'000
More than 3 months overdue	**11**	140

17. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term bank deposits held by the Group with an original maturity of three months or less. The bank balances carry interest at the prevailing market interest rates which range from 0.001% to 0.3% (2015: 0.001% to 0.35%) per annum. At 30 June 2016, the Group had bank balances and cash that were not freely convertible or were subject to exchange controls in the PRC amounting to approximately HK$10,000 (2015: HK$73,000).

18. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	**1,094**	786
Accruals and other payables	**1,545**	1,122
Total trade and other payables	**2,639**	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:

	2016 HK$'000	2015 HK$'000
Current and less than 1 month overdue	**889**	632
1 to 3 months overdue	**192**	100
More than 3 months overdue	**13**	54
	1,094	786

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

19. SHARE CAPITAL

	Number of shares		Share capital	
	2016	2015	**2016**	2015
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.004 each (HK$0.2 each before Share Subdivision)				
Authorised:				
At beginning of the year	**40,000**	40,000	**8,000**	8,000
Increase in authorised share capital *(note (i))*	**360,000**	–	**72,000**	–
Share subdivision *(note (ii))*	**19,600,000**	–	**–**	–
At end of the year	**20,000,000**	40,000	**80,000**	8,000
Issued and fully paid:				
At beginning of the year	**16,738**	13,706	**3,348**	2,741
Issue of ordinary shares upon exercise of share options *(note (iii))*	**–**	382	**–**	77
Issue of ordinary shares by way of placing *(note (iv))*	**–**	2,650	**–**	530
Share subdivision *(note (ii))*	**820,183**	–	**–**	–
At end of the year	**836,921**	16,738	**3,348**	3,348

Notes:

(i) Pursuant to an ordinary resolution passed at an extraordinary general meeting ("EGM") of the Company on 13 August 2015, the authorised share capital of the Company was increased from HK$8,000,000 divided into 40,000,000 shares of HK$0.2 each to HK$80,000,000 divided into 400,000,000 shares of HK$0.2 each by creation of 360,000,000 new shares of HK$0.2 each.

(ii) Pursuant to an ordinary resolution passed at an EGM of the Company on 13 August 2015, each of the Company's issued and unissued shares of par value of HK$0.2 each were subdivided into fifty (50) subdivided shares of par value of HK$0.004 each. The share subdivision was effective on 14 August 2015.

(iii) During the year ended 30 June 2015, 382,257 share options were exercised at a subscription price of HK$3.12 per share, resulting in the issue of 382,257 ordinary shares of HK$0.2 each in the Company.

(iv) Pursuant to a placing agreement dated 8 June 2015, the Company allotted and issued 2,650,000 new ordinary shares of HK$0.2 each in the Company at a price of HK$22.2 per share.

(v) All the shares issued by the Company during the year ended 30 June 2015 ranked pari passu in all respects with all shares in issue.

20. SHARE OPTION SCHEME

Share Option Scheme adopted on 28 October 2003 (the "2003 Option Scheme")

Pursuant to a resolution passed on 28 October 2003, the 2003 Option Scheme was adopted to recognise and motivate the contribution of the employees and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees for a term of ten years. The Board of the Company may at its discretion grant options to any employees, including executive and non-executive directors, advisers, consultants, agents, contractors, customers and suppliers of the Group to subscribe for shares in the Company. Option may be granted at a consideration of HK$1 and should be accepted within five business days from the date of grant. The option granted is exercisable upon acceptance of and payment of consideration by the grantee and have a duration of ten years from their respective vesting dates.

The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company on 28 October 2003. No option shall be granted to a grantee if the total number of shares issued and to be issued upon exercise of options granted and to be granted under the 2003 Option Scheme in any twelve months period up to and including the date of grant to such grantee would exceed 1% of the issued share capital of the Company for the time being in issue.

The subscription price shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Daily Quotation Sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares of the Company as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share. Without prejudice to the generality of the above, the Board of the Company may grant options in respect of which the subscription price is fixed at a different price.

20. SHARE OPTION SCHEME *(continued)*

Share Option Scheme adopted on 28 October 2003 (the "2003 Option Scheme") *(continued)*

No option was granted, exercised, cancelled or had lapsed during the year nor remain outstanding as at 30 June 2016.

The following table discloses movements in the Company's share options under the 2003 Option Scheme during the year ended 30 June 2015:

	Date of grant	Exercise price per share HK$	Balance at 1 July 2014	Exercised during the year	Lapsed during the year	Balance at 30 June 2015
Directors of the Company						
Prof. Chan Chok Ki	23 June 2010	3.12	114,677	(114,677)	–	–
Dr. Ma Chi Kit	23 June 2010	3.12	114,677	(114,677)	–	–
Mr. Ho Ka Ho	23 June 2010	3.12	114,677	(114,677)	–	–
			344,031	(344,031)	–	–
Employees of the Group	4 August 2004	2.28	5,097	–	(5,097)	–
	23 June 2010	3.12	38,226	(38,226)	–	–
			387,354	(382,257)	(5,097)	–
Exercisable at the end of the year						–
Weighted average exercise price			HK$3.11	HK$3.12	HK$2.28	N/A

In respect of the share options exercised during the year ended 30 June 2015, the weighted average share price at the date of exercise is HK$18.9.

21. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Capitalised development costs HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2014	1	508	(509)	–
(Credit)/Charge to profit or loss	16	(158)	142	–
At 30 June 2015	17	350	(367)	–
(Credit)/Charge to profit or loss	(6)	(225)	231	–
At 30 June 2016	**11**	**125**	**(136)**	**–**

21. DEFERRED TAX *(continued)*

At 30 June 2016, the Group has unused tax losses of approximately HK$37,579,000 (2015: HK$34,046,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$824,000 (2015: HK$2,224,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$36,755,000 (2015: HK$31,822,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$1,755,000 (2015: HK$1,954,000) that will expire in one to five years. The remaining tax losses may be carried forward indefinitely.

22. RETIREMENT BENEFIT SCHEMES

The subsidiaries in Hong Kong participate in a defined contribution retirement scheme ("MPF Scheme") registered under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce contributions payable in future years.

The employees of the subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of the basic salary of its employees to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit is to make the specified contribution.

In addition to the participation in the above retirement benefit schemes, the subsidiary in the UK is required to make National Insurance Contributions for certain of its employees in the UK based on applicable rate in accordance with the relevant government regulations.

The total costs charged to profit or loss of approximately HK$406,000 (2015: HK$611,000) represents contributions payable to these schemes by the Group in respect of current accounting period.

23. OPERATING LEASES

	2016	2015
	HK$'000	*HK$'000*
Minimum lease payments made under operating leases in respect of premises during the year	**2,981**	2,075

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**1,276**	2,826
In the second to fifth years inclusive	**–**	1,299
	1,276	4,125

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of four (2015: four) years and rentals are fixed for an average of four (2015: four) years.

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of key management which are the directors during the year was as follows:

	2016	2015
	HK$'000	*HK$'000*
Short-term benefits	**1,512**	3,452
Post-employment benefits	**20**	48
	1,532	3,500

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

25. DISPOSAL OF SUBSIDIARIES

On 17 August 2015, the Group disposed of its 100% equity interest in Green Gas Energy Limited at a consideration of HK$1. The net assets of Green Gas Energy Limited and its subsidiary at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	–
Analysis of assets and liabilities over which control was lost:	
Bank balances	20
Amount due to immediate holding company	(20)
Net assets disposed of	–
Gain on disposal of subsidiaries:	
Consideration received	–
Net assets disposed of	–
	–
Net cash outflow arising on disposal:	
Cash consideration received	–
Less: bank balances disposed of	(20)
	(20)

26. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Place of incorporation/ registration and operation	Paid up and issued/ registered capital	Proportion of ownership interest held by the Company				Principal activities
			Directly 2016 %	Directly 2015 %	**Indirectly 2016 %**	Indirectly 2015 %	
Signal Communications Holdings Limited	British Virgin Islands ("BVI")	HK$15,000,000	**100**	100	**–**	–	Investment holding
TeleEye Corporation	BVI	US$1	**100**	100	**–**	–	Investment holding
Green Gas Energy Limited	BVI	US$1	**–**	100	**–**	–	Investment holding
TeleEye Health Care Limited	BVI	US$1	**100**	100	**–**	–	Investment holding
Signal Communications Limited	Hong Kong	HK$1,000	**–**	–	**100**	100	Research and development and sales and marketing of video surveillance systems
TeleEye Europe Limited	UK	GBP100	**–**	–	**95**	95	Sales and marketing of video surveillance systems
千里眼數碼科技(深圳)有限公司 *(Note)*	PRC	US$130,000	**–**	–	**100**	100	Production, sales and marketing of video surveillance systems

Note: The subsidiary is registered in the form of a wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the directors principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current asset		
Investments in subsidiaries	**10**	10
Current assets		
Prepayments and deposits	**594**	575
Amounts due from subsidiaries	**41,340**	8,828
Bank balances	**24,469**	61,967
	66,403	71,370
Current liabilities		
Accruals	**882**	587
Net current assets	**65,521**	70,783
Total assets less current liabilities	**65,531**	70,793
Capital and reserves		
Share capital	**3,348**	3,348
Reserves	**62,183**	67,445
Total equity	**65,531**	70,793

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 September 2016 and are signed on its behalf by:

Dr. Woo Kwok Fai Louis
DIRECTOR

Ms. Chen Ching-Hsuan
DIRECTOR

27. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Share premium *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 July 2014	26,813	985	(9,418)	18,380
Loss and total comprehensive expense for the year	–	–	(9,054)	(9,054)
Issue of ordinary shares upon exercise of share options	2,101	(985)	–	1,116
Issue of ordinary shares by way of placing	57,003	–	–	57,003
At 30 June 2015	85,917	–	(18,472)	67,445
Loss and total comprehensive expense for the year	–	–	(5,262)	(5,262)
At 30 June 2016	**85,917**	**–**	**(23,734)**	**62,183**

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	37,425	39,159	37,513	28,941	**26,070**
Loss before taxation	(6,744)	(5,365)	(6,635)	(7,937)	**(8,755)**
Income tax credit	498	13	–	–	**–**
Loss for the year	(6,246)	(5,352)	(6,635)	(7,937)	**(8,755)**
Attributable to:					
Owners of the Company	(6,182)	(5,268)	(6,548)	(7,843)	**(8,693)**
Non-controlling interests	(64)	(84)	(87)	(94)	**(62)**
	(6,246)	(5,352)	(6,635)	(7,937)	**(8,755)**

ASSETS AND LIABILITIES

	At 30 June				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	38,382	39,542	31,756	80,176	**72,907**
Total liabilities	(4,539)	(4,455)	(2,435)	(1,908)	**(2,639)**
	33,843	35,087	29,321	78,268	**70,268**
Equity attributable to:					
Owners of the Company	34,078	35,396	29,760	78,763	**70,744**
Non-controlling interests	(235)	(309)	(439)	(495)	**(476)**
	33,843	35,087	29,321	78,268	**70,268**