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

for the six months ended December 31, 2016

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

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This report, for which the directors of CircuTech International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to CircuTech International Holdings Limited. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

as at the date of this report

BOARD OF DIRECTORS

Executive Directors

Dr. Woo Kwok Fai Louis
(chairman and chief executive officer)
Mr. Hui Lap Shun
Mr. Chien Yi-Pin
Ms. Chen Ching-Hsuan
Mr. Cheng Michael Ichiang
(chief financial officer)
Mr. Chen Haining

Independent Non-executive Directors

Mr. Yeung Wai Hung Peter
Ms. Wu Yi Shuan
Mr. Miao Benny Hua-ben

AUDIT COMMITTEE

Ms. Wu Yi Shuan *(chairman)*
Mr. Yeung Wai Hung Peter
Mr. Miao Benny Hua-ben

REMUNERATION COMMITTEE

Mr. Yeung Wai Hung Peter *(chairman)*
Dr. Woo Kwok Fai Louis
Mr. Cheng Michael Ichiang
Ms. Wu Yi Shuan
Mr. Miao Benny Hua-ben

NOMINATION COMMITTEE

Mr. Miao Benny Hua-ben *(chairman)*
Mr. Cheng Michael Ichiang
Mr. Yeung Wai Hung Peter
Ms. Wu Yi Shuan

COMPANY SECRETARY

Ms. Chow Pui Ki

AUTHORISED REPRESENTATIVES

Dr. Woo Kwok Fai Louis
Mr. Cheng Michael Ichiang

COMPLIANCE OFFICER

Dr. Woo Kwok Fai Louis

CORPORATE INFORMATION

as at the 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.circutech.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of CircuTech International 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 six months ended 31 December 2016.

SUMMARY OF RESULTS

For the financial period under review, the Group's existing IT products faced weak demand due to continued commoditisation of the market and increased competition. Revenue continued to decrease and with the lower priced Analog HD equipment taking a larger share of product mix, gross margin percentage compressed slightly from 40.9% to 39.8%. During this financial period, the Group continuously rationalised its operations, outsourcing certain research and development functions to drive for efficiency, while at the same time invested in overseas subsidiaries and equipment to further strengthen its global infrastructure to pursue new, strategic customers to grow the Group's turnover and enhance shareholders' returns. Operating expenses, as a result, have increased, and totalled HK$11.6 million for the six months ended 31 December 2016 versus HK$19.5 million for the twelve months ended 30 June 2016.

OUTLOOK

Building upon the foundation and experience of the management team in international distribution and fulfilment support of IT products, we have strengthened our overseas organization structure and have entered into a non-exclusive distribution agreement with a consumer electronics, computer software and online services brand to distribute hardware in multi-jurisdictions. We are planning to introduce these third-party products into our international channels over the coming quarters.

As previously reported, we are continuously strengthening our management team, expanding our international footprint and pursuing new customers; and we anticipate 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 finished goods and 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 our Shareholders and business partners for their continuous support, and to my fellow Directors, our management and all our staff members for their work. 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, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

With the change of financial year end date from 30 June to 31 December as announced on 30 September 2016, we are pleased to present the Group's audited results for the six months ended 31 December 2016.

For the six months ended 31 December 2016, the Group reported a turnover of approximately HK$9,530,000 (year ended 30 June 2016: HK$26,070,000) and loss attributable to the owners of the Company of approximately HK$7,517,000 (year ended 30 June 2016: HK$8,693,000). The increase in net loss when compare to the unaudited figure for the corresponding period ended 31 December 2015 was mainly attributable to the following factors:

(i) decrease in revenue of the video and surveillance product line due to increased competition; and

(ii) increase in general operational, administrative expenses and professional fees following the close of the unconditional mandatory general offer in June 2016 in order to pursue new, strategic customers to grow the Group's sales and distribution of third party IT products and the post-sales support services to enhance Shareholders' returns as a whole.

BUSINESS REVIEW

For the financial period under review, the Group's existing IT products faced weak demand due to continued commoditisation of the market and increased competition. Revenue continued to decrease and with the lower priced Analog HD equipment taking a larger share of product mix, gross margin percentage compressed slightly from approximately 41% for the year ended 30 June 2016 to approximately 40% in the current period. During this financial period, the Group continuously rationalised its operations, outsourcing certain research and development functions to drive for efficiency, while at the same time invested in overseas subsidiaries and equipment to further strengthen its global infrastructure to pursue new, strategic customers to grow the Group's turnover and enhance shareholders' returns. Operating expenses, as a result, have increased, and totalled approximately HK$11.6 million for the six months ended 31 December 2016 versus approximately HK$19.5 million for the year ended 30 June 2016.

SEGMENT INFORMATION

Segment information by business line

Sales and distribution of IT products

Turnover for sales and distribution of IT products for the six months ended 31 December 2016 was approximately HK$9,508,000 (year ended 30 June 2016: HK$26,070,000). It accounted for approximately 99.8% (year ended 30 June 2016: 100%) of the Group's turnover.

Repairs and service support

Turnover for repairs and service support for the six months ended 31 December 2016 was approximately HK$22,000 (year ended 30 June 2016: Nil). It accounted for approximately 0.2% (year ended 30 June 2016: Nil) of the Group's turnover.

Segment information by geographical location

Asia

Turnover for Asia (inclusive of Hong Kong, Singapore, the Middle East and other Asian countries) as a whole for the six months ended 31 December 2016 was approximately HK$6,374,000 (year ended 30 June 2016: HK$18,357,000). It accounted for approximately 67% (year ended 30 June 2016: 71%) of the Group's turnover.

Europe

Turnover for Europe for the six months ended 31 December 2016 was approximately HK$1,849,000 (year ended 30 June 2016: HK$4,467,000). It accounted for approximately 19% (year ended 30 June 2016: 17%) of the Group's turnover.

Africa

Turnover for Africa for the six months ended 31 December 2016 was approximately HK$1,196,000 (year ended 30 June 2016: HK$2,636,000). It accounted for approximately 13% (year ended 30 June 2016: 10%) of the Group's turnover.

Others

Other geographic segments mainly include the Americas and Australia. It contributed to about 1% (year ended 30 June 2016: 2%) of the Group's total turnover for the six months ended 31 December 2016, which amounted to approximately HK$111,000 (year ended 30 June 2016: HK$610,000).

PRODUCT DEVELOPMENT

Having encountered numerous challenges in the past few years, the Group remains committed to its existing video surveillance business. The Group intends to continue developing new and competitive solutions with higher video resolution and higher video analytic capabilities in order to address the market demand. The Group plans to launch new products in the coming quarters.

In the meantime, building on the existing IT product portfolio foundation, the Group is pursuing distribution of third party IT products and services that are complementary to its current business offering.

ADMINISTRATIVE EXPENSES

For the six months ended 31 December 2016, administrative expenses amounted to approximately HK$8,916,000 (year ended 30 June 2016: HK$12,687,000). This was principally due to an increase in professional fees and expenses of the Company in light of a series of corporate actions, including changes of company name, principal place of business, and financial year end date, the share consolidation and change in board lot size.

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 third party IT products and expanding its repairs and service support network in order to pursue new, strategic customers to grow the Group's turnover and enhance Shareholders' returns.

DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 31 December 2016 (year ended 30 June 2016: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2016, the Group employed 22 (30 June 2016: 22) full time employees in Hong Kong and 6 (30 June 2016: 5) full time employees in the People's Republic of China and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries, retirement benefits schemes contributions and other benefits amounted to approximately HK$4,253,000 (year ended 30 June 2016: HK$9,419,000).

Employees are remunerated in accordance with individual's responsibility and performance, also taking into account the prevailing market rates to ensure competitiveness. Other fringe benefits such as medical insurance, retirement benefits and discretionary bonus are offered to all employees.

A new share option scheme had been approved and adopted at the annual general meeting of the Company on 11 November 2016.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group mainly used its internal resources to finance its operations during the reporting period.

The Group had bank balances and cash of approximately HK$49,460,000 (30 June 2016: HK$66,282,000), representing approximately 75% (30 June 2016: HK$91%) 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 31 December 2016 was 0% (30 June 2016: 0%).

CAPITAL STRUCTURE

As of 31 December 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, of which 836,920,850 shares were in issue. No convertible securities options, warrants or similar rights by the Company or its subsidiaries were outstanding during the period.

The Group did not have any borrowings during the six months ended 31 December 2016.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investment during the six months ended 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions and disposal of subsidiaries and affiliated companies for the six months ended 31 December 2016.

CHARGE OF ASSETS

As at 31 December 2016, the Group did not have any charge on its assets (30 June 2016: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Subsequent to the financial year ended 30 June 2016, the Company embarked on an investment plan that aims to strengthen the Company's international distribution and fulfilment capabilities, including procurement of approximately HK$11 million of capital equipment to enable fulfilment support. Furthermore, discussions are being held with bankers to secure credit facilities that will call on pledging substantial portion of the Group's free cash.

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 and working capital. This will enable the Group to not only serve the distribution and fulfilment requirements of its own products, but also acquire the capabilities to support strategic third-party equipment manufacturing partners with innovative revenue models with a view to delivering 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 period 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 six months ended 31 December 2016 (year ended 30 June 2016: Nil).

CONTINGENT LIABILITIES

As of 31 December 2016, the Group did not have any contingent liabilities (30 June 2016: Nil)

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been changed to 31/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong with effect from 5 August 2016.

EVENTS AFTER REPORTING PERIOD

As disclosed in the Company's announcement and circular dated 28 December 2016 and 13 January 2017 respectively, the Company proposed to implement share consolidation on the basis that every fifty issued and unissued shares with a par value of HK$0.004 each would be consolidated into one consolidated share (the "**Consolidated Share(s)**") with a par value of HK$0.20 each (the "**Share Consolidation**"). Upon the effective date of the Share Consolidation, the authorised share capital of the Company has become HK$80,000,000 divided into 400,000,000 Consolidated Shares, of which 16,738,417 Consolidated Share are in issue and fully paid or credited as fully paid as at the date of this report. The board lot size of the Consolidated Shares for trading on the Stock Exchange has changed from 10,000 shares with a par value of HK$0.004 each to 200 Consolidated Shares. The Share Consolidation was approved by the Shareholders at the Company's extraordinary general meeting held on 3 February 2017 and became effective on 6 February 2017.

PROFILE OF DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Woo Kwok Fai Louis（胡國輝）(“**Dr. Woo**”), aged 69, 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 also the compliance officer of the Company. 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, a 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 Inc. veteran. Dr. Woo holds BSc, MSc, and PhD degrees from Stanford University.

Mr. Hui Lap Shun（許立信）(“**Mr. Hui**”), aged 61, was appointed as an executive Director 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. In 2009, he also acquired InFocus, a digital display technology company. Mr. Hui is the Chairman of Maxnerva Technology Services Limited, a company whose shares are listed on the Main Board of 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 56, was appointed as an executive Director on 10 June 2016. He is a director of 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 Main Board of the Stock Exchange (stock code: 1037).

Ms. Chen Ching-Hsuan（陳靜洵）(“**Ms. Chen**”), aged 54, was appointed as an 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 and an associate researcher at the Central Weather Bureau in Taiwan from 1987 to 1992. Ms. Chen obtained a postgraduate degree in Atmospheric Sciences from National Taiwan University in 1987.

Mr. Cheng Michael Ichiang（**鄭益強**）(“**Mr. Cheng**”), aged 63, was appointed as an executive Director on 9 February 2017. He is the Chief Financial Officer of the Company. Mr. Cheng has a bachelor of science degree in Mechanical Engineering from University College, University of London, the United Kingdom. Mr. Cheng was admitted as an associate of the Institute of Chartered Accountants in England and Wales in 1980 and an associate member of the Institute of Chartered Accountants of British Columbia in 1984. Since serving as an accounting trainee in 1974, Mr. Cheng has over four decades of experience in accounting, finance and business development. Mr. Cheng served in international banks and technology enterprises including Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited, Palm, Inc. and Apple Inc..

Mr. Chen Haining（**陳海寧**）(“**Mr. Chen**”), aged 53, 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 served 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 the shares are listed on GEM. (stock code: 8009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Wai Hung Peter（**楊偉雄**）(“**Mr. Yeung**”), aged 59, was appointed as an independent non-executive Director on 10 June 2016. He has served as 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 40, was appointed as an 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 of luxury goods maker MCM in Greater China, and before that, she was Senior Finance Manager of 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.

Mr. Miao Benny Hua-ben（苗華本）("**Mr. Miao**"), aged 42, was appointed as an independent non-executive Director on 27 June 2016. He is currently the 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 a 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.

COMPANY SECRETARY

Ms. Chow Pui Ki（周珮琪）is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She obtained a Bachelor of Business Administration (Honours) in Information Systems from the City University of Hong Kong. She has more than 8 years of working experience in company secretarial profession and has worked for an international company secretarial firm and responsible for providing comprehensive secretarial services. She is now working in an international law firm.

SENIOR MANAGEMENT

Mr. Ho Ka Ho（何家豪）(**"Mr. Ho"**), aged 45, is the chief executive officer of the video surveillance business line. Mr. Ho has over 22 years of experience in computer architecture, software engineering and digital signal processing. Mr. Ho obtained his bachelor of engineering degree in computer engineering with first class honours and master of science degree in electronic engineering from the City University of Hong Kong.

The Directors present this report and the audited consolidated financial statements of the Company for the six months ended 31 December 2016.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company with its shares listed on GEM. The principal activities of its principal subsidiaries are set out in Note 28 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the six months ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

The Directors do not recommend the payment of any dividend for the six months ended 31 December 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting ("**AGM**") will be held at 2:00 p.m. on Wednesday, 10 May 2017 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 Thursday, 4 May 2017 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 Thursday, 4 May 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the six months ended 31 December 2016 are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the six months ended 31 December 2016 in the share capital of the Company are set out in Note 21 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the six months ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 41.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves that are available for distribution to its shareholders as at 31 December 2016 comprise of share premium, and accumulated loss in aggregate amounting to approximately HK$45,924,000 (30 June 2016: HK$62,183,000) provided that, after distribution, the Company will be able to pay its debts as they fall due in its ordinary course of business.

SHARE OPTION SCHEME

The Company adopted a new share option scheme in the annual general meeting held on 11 November 2016. The new share option scheme will remain in force for a period of 10 years commencing on the date of its adoption on 11 November 2016. Under the said scheme and following the Share Consolidation the maximum number of shares of the Company that may be issued upon the exercise of options that may be granted is 1,673,841, representing approximately 10.0% of the issued share capital of the Company as at the date of this report. Details of the new share option scheme of the Company are set out in Note 22 to the consolidated financial statements. No share options were granted under the new scheme since its adoption.

SEGMENTAL INFORMATION

Details of segment reporting are set out in Note 9 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the six months ended 31 December 2016:

(i) the Group's largest customer and five largest customers accounted for approximately 12% and 48% respectively, of the Group's total turnover.

(ii) the Group's largest supplier and five largest suppliers accounted for approximately 37% and 87%, respectively, of the Group's total purchases (not including purchases of items which are of capital nature).

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 Directors have entered into letters of appointment with the Company for an 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.

None of the Directors being proposed for re-election at the AGM 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' BIOGRAPHIES

Please refer to page 3 of this report for the list of Directors as at the date of this report. Biographical details of the current Directors are set out on pages 10 to 12 of this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 31 December 2016 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 six months ended 31 December 2016 is contained in Note 26 to the consolidated financial statement. None of the transactions described therein falls under the definition of connected transactions which are not fully exempted from shareholders' approval, annual review and all disclosure requirement under Chapter 20 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As of 31 December 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 (Chapter 571 of the Laws of Hong Kong) ("**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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES

As at 31 December 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 as at 31 December 2016

Name of Shareholders	Capacity	Number of shares held/ interested	Percentage of the issued share capital of the Company (approximate)
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.

Following the share consolidation of the shares of the Company becoming effective on 6 February 2017, the number of shares held/interested by the above Shareholders became 8,381,602.

Save as disclosed above, as at 31 December 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 of the Company 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 six months ended 31 December 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 TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Other than the related party transaction disclosed in Note 26 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 or at any time during the six months ended 31 December 2016.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules, with reference to which, the Company 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.

COMPETITION AND CONFLICT OF INTERESTS

For the six months ended 31 December 2016, none of the Directors, controlling shareholder or their respective close associates (as defined in the Rules Governing the Listing of Securities on GEM, the "GEM Listing Rules") has any interests in a business that competes or is likely to compete either directly or indirectly with the business of 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 six months ended 31 December 2016, 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 on pages 20 to 28.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) 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 six months ended 31 December 2016 or subsisted at the end of such period.

CHANGE OF COMPANY SECRETARY

Ms. Chow Pui Ki has been appointed as the company secretary of the Company with effect from 1 December 2016 in place of Ms. Lo Yuen Yee.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability 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 six months ended 31 December 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 six months ended 31 December 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.

AUDITORS

The accounts for the six months ended 31 December 2016 were audited by Messrs HLB Hodgson Impey Cheng Limited, whose term of office will expire upon the close of the forthcoming AGM. Messrs HLB Hodgson Impey Cheng Limited will not offer themselves for re-appointment as auditors of the Company and it was proposed that PricewaterhouseCoopers be appointed as auditors of the Company following the retirement of Messrs HLB Hodgson Impey Cheng Limited.

OTHER EVENTS

Change of Principal Place of Business in Hong Kong

The principal place of business of the Company in Hong Kong has been changed to 31/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong with effect from 5 August 2016.

Change of Company Name, Stock Short Name and Website

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. The stock short names of the Company were changed to "CIRCUTECH" and "訊智海" with effect from 9:00 a.m. on 20 October 2016 and the new website of the Company at "www.circutech.com" commenced operation on the same day.

Change of Financial Year End Date

The Company's financial year end date has been changed from 30 June to 31 December and the reporting financial period in this report covers a six-month period from 1 July 2016 to 31 December 2016.

Adoption of Share Option Scheme

In order to provide the Company with the flexibility of granting share options to the Directors and employees as incentives or rewards for their contribution or potential contribution to the Group, the Board proposed to adopt a share option scheme on 30 September 2016. Further details of the share option scheme is set out in the circular of the Company dated 30 September 2016. The share option scheme was approved by at the annual general meeting of the Company held on 11 November 2016.

EVENTS AFTER THE REPORTING PERIOD

Share Consolidation and Change in Board Lot Size

With the approval of the Shareholders at the extraordinary general meeting held on 3 February 2017, the share consolidation, pursuant to which every 50 issued and unissued ordinary shares with a par value of HK$0.004 each into 1 Consolidated Share with a par value of HK$0.20 each in the share capital of the Company, became effective on 6 February 2017. Following the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange has changed from 10,000 shares with a par value of HK$0.004 each to 200 consolidated shares with a par value of HK$0.20 each.

Please also refer to the circular of the Company dated 13 January 2017 and the announcement of the Company dated 3 February 2017 for further details of the Share Consolidation and the change in board lot size.

Change of Directors and Authorised Representative

With effect from 9 February 2017, Mr. Tse Tik Yang Denis has resigned as a non-executive Director and Mr. Cheng Michael Ichiang has been appointed as an executive Director. Mr. Cheng Michael Ichiang will retire, in accordance with Article 86(3) of the articles of association of the Company, and being eligible, offers himself for re-election by the shareholders of the Company at the forthcoming AGM of the Company.

Mr. Cheng Michael Ichiang has also been appointed as an authorised representative of the Company in place of Mr. Tse Tik Yang Denis with effect from 9 February 2017.

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

Hong Kong, 24 March 2017

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present this Corporate Governance Report for the six months ended 31 December 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.

As of the date of this report, the Board currently comprises 9 Directors, consisting of 6 executive Directors 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. Cheng Michael Ichiang
(member of Remuneration Committee and Nomination Committee)
Mr. Chen Haining

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)

During the six months ended 31 December 2016, and up to 9 February 2017, Mr. Tse Tik Yang Denis was the non-executive Director, and also a member of each of the Audit Committee, the Nomination Committee and the 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.

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 possesses the appropriate professional qualifications or accounting or related financial management expertise. The 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 independent non-executive Directors) are appointed for a period of one year. 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 six months ended 31 December 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, Mr. Cheng Michael Ichiang, who was appointed by the Board to fill casual vacancies shall be subject to re-election by the Shareholders at the forthcoming AGM.

In addition, each of Mr. Hui Lap Shun, Mr. Chen Haining and Ms. Wu Yi Shuan will retire from office as a Director in accordance with Article 87(1) of the articles of association. He/she, being eligible, offers himself/herself 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 six months ended 31 December 2016, 6 Board meetings, 2 Audit Committee meetings, 2 Remuneration Committee meetings and 1 Nomination Committee meeting were held. The attendance record of each Director at meetings of the Board and various committees and at general meetings during the period 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)	1/1	1/1	5/6	N/A	2/2	N/A
Mr. Hui Lap Shun	0/1	0/1	1/6	N/A	N/A	N/A
Mr. Chien Yi-Pin	0/1	0/1	2/6	N/A	N/A	N/A
Ms. Chen Ching-Hsuan	0/1	1/1	6/6	N/A	N/A	N/A
Mr. Chen Haining	0/1	0/1	0/6	N/A	N/A	N/A
Non-executive Director						
Mr. Tse Tik Yang Denis*	1/1	1/1	5/6	2/2	1/2	1/1
Independent Non-executive Directors						
Mr. Yeung Wai Hung Peter						
(Chairman of the Remuneration Committee)	1/1	0/1	4/6	1/2	2/2	1/1
Ms. Wu Yi Shuan						
(Chairman of the Audit Committee)	1/1	0/1	6/6	2/2	2/2	1/1
Mr. Miao Benny Hua-ben						
(Chairman of the Nomination Committee)	0/1	0/1	5/6	2/2	2/2	1/1

* *resigned on 9 February 2017.*

Mr. Cheng Michael Ichiang was appointed as an executive Director after the reporting period.

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 newly appointed Directors 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.

Our Directors 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.

CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2016, the Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 15 to 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") of the Company.

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 six months ended 31 December 2016.

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 reporting, risk management and internal control systems 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.

During the six months ended 31 December 2016, members of the Audit Committee comprised of 3 independent non-executive Directors, namely Ms. Wu Yi Shuan (chairman), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben and our former non-executive Director, Mr. Tse Tik Yang Denis (who also resigned as a member of Audit Committee on 9 February 2017). The Audit Committee held two meetings during the six months ended 31 December 2016 and was responsible for reviewing annual report for the year ended 30 June 2016, quarterly report for the three months ended 30 September 2016 and results announcements for the respective periods for submission to the Board for approval.

The external auditors 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 or loss and other comprehensive income and related notes thereto for the six months ended 31 December 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 six months ended 31 December 2016, members of the Remuneration Committee comprised of 5 Directors, namely Mr. Yeung Wai Hung Peter (chairman), Ms. Wu Yi Shuan, Mr. Miao Benny Hua-ben (each an independent non-executive Director), Dr. Woo Kwok Fai Louis (an executive Director) and Mr. Tse Tik Yang Denis (former non-executive Director who also resigned as a member of Remuneration Committee on 9 February 2017). The Remuneration Committee held two meetings during the reporting period 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 letter of appointment of executive Directors, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

Following the resignation of Mr. Tse Tik Yang Denis as a non-executive Director, Mr. Cheng Michael Ichiang has been appointed as a member of the Remuneration Committee in place of Mr. Tse Tik Yang Denis on 9 February 2017.

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 six months ended 31 December 2016, members of the Nomination Committee were Mr. Miao Benny Hua-ben (chairman), Mr. Yeung Wai Hung Peter and Ms. Wu Yi Shuan (each an independent non-executive Director), and Mr. Tse Tik Yang Denis (former non-executive Director who also resigned as a member of Nomination Committee on 9 February 2017). The Nomination Committee held one meeting during the reporting period 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 resignation of Mr. Tse Tik Yang Denis, Mr. Cheng Michael Ichiang has been appointed as a member of the Nomination Committee in place of Mr. Tse Tik Yang Denis on 9 February 2017.

DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

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 Director who acted as Director during the reporting period) has confirmed that during his/her tenure as Director in the six months ended 31 December 2016, he/she 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 disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for reviewing and maintaining an adequate risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Company. The Board has conducted a review of the effectiveness of the risk management and internal control systems during the period under review, based on the advice received from a firm of Certified Public Accountants 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 risk management and internal control systems 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 2016 and made themselves available for shareholders' questions. Please also refer to paragraph headed "Board Meetings, Committee Meetings and General Meetings" above.

COMPANY SECRETARY

Ms. Chow Pui Ki has been appointed as our company secretary in place of Ms. Lo Yuen Yee with effect from 1 December 2016. Ms. Chow is delegated by an external service provider and the primary contact of the Company is Mr. Cheng Michael Ichiang, an executive Director and the chief financial officer of the Company.

DIRECTORS AND OFFICERS INSURANCE

During the six months ended 31 December 2016, the Company has arranged insurance cover in respect of legal action against its Directors and officers.

DIRECTORS' AND AUDITORS' 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 six months ended 31 December 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 auditors of the Company acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the reporting period.

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	
Services rendered	**for the six months ended 31 December 2016**	**for year ended 30 June 2016**
	HK$'000	*HK$'000*
Statutory audit services by HLB Hodgson Impey Cheng Limited	430	400
Non-audit services by HLB Hodgson Impey Cheng Limited	–	50
Statutory audit services by James Cowper Kreston	24	41

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 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 21 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 six months ended 31 December 2016, there had been no significant changes in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company is pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") published by the Stock Exchange. The report describes the Company's policies in 2016 that were designed to fulfill the Company's obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide. Moreover, the Company has also prepared a full ESG report to disclose detailed information about our ESG related activities in 2016, which is available at http://www.circutech.com.

ENVIRONMENT

Emissions

The Group is engaged in the businesses of design, marketing, repairs and other service support of IT products. The operations of the Group by itself do not have significant impact to the environment but the outsource manufacturing and the IT products do generate hazardous waste and the Group is not subject to any environmental laws and regulations that have a significant impact on the Group. However, the Group takes steps to closely monitor and manage the environmental effect of all operations.

The Group aims to reduce energy consumption and carbon emissions and operate in less harmful ways to the environment. The Group constantly incorporates green principles into each project, for example the environmental harmfulness and the capacity of energy– saving of materials and equipment used during the selection of suppliers. Furthermore, at the Group's offices, the indoor temperature and the running time of air-conditioning system are controlled to reduce energy consumption and carbon emissions.

Use of resources

Due to the Group's business nature, the energy, power and water utilisation of the Group's offices is relatively low. The Group is committed to building an environmentally friendly working atmosphere that conserves natural resources. The Group strives to minimise environmental impact by saving electricity, encouraging recycling of office supplies and using environmentally friendly equipment and tools in its operations.

Water consumption of the Group is minimal. For office electricity control, the Group encourages employees to confirm that lights and electronic appliances are switched off before they leave the office. Energy consumption of an electronic appliance will be the priority consideration before purchase. For office consumables consumption management, the Group encourages its employees to handle documents electronically. When the use of paper is required, only formal and confidential documents can use single-sided printing, other documents are required to use double-sided printing. In addition, we will arrange conference calls or video conferences instead of face-to-face meetings where possible.

Environment and Natural Resources

The Group seeks to work towards best environmental practice. This involves giving careful consideration to various operational aspects and activities within the value chain to minimise any environmental impact. Green messages and practical tips for green living are regularly circulated amongst employees to achieve environmental sustainability.

SOCIAL

Employment and Labour Practices

Employment

Employees are regarded as the most important and valuable assets and core competitive advantage of the Group. They also provide driving force for the continuous innovation of the Group. The Group rewards and recognises performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. The Group also promotes career development and progression by appropriate training and provides opportunities for career advancement. Also, in order to provide a good and fair working environment and safeguards the well-being of the employees, the Group seriously considers all those valuable opinions from employees for enhancing workplace productivity and harmony which can help the Group to build a united and harmonious professional team.

The Group strictly complies with relevant laws and regulations in the jurisdictions in which it operates, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labour relations, employees' remuneration and welfare to protect the rights of employees.

We strictly comply with the laws, regulations and policies regarding social security in the PRC and Hong Kong's Mandatory Provident Fund Schemes Ordinance. The Group contributes to social insurances, housing fund and mandatory provident fund in a timely manner for all the staff.

Health and Safety

The Group has been committed to protect employees' health and safety. Sound management systems have been established in occupational health and safety in strict compliance with the regulations on occupational health and safety in Hong Kong and the PRC. It builds a solid foundation for safe operation. During the year ended 31 December 2016, the Group did not encounter any major accidents during operation.

Development and Training

Skilled employees who are capable to meet the demands of a dynamic industry are crucial to the success of the Group. Training is an important way to improve the overall quality and provide comprehensive development to employees. The Group has continuously perfected and modified the employee training management system, established a multi–level training system, created various learning opportunities for the employees, in order to enhance their competence, job skills, knowledge and performance. The Group also encourages employees to identify their own personal objectives for development, allowing them to grow together with the Group.

In daily operations, the Group provides induction training for new employees. Experienced employees will act as mentors to guide the new comers on jobs. Such arrangements can enhance the communication and team spirit, also improve their technical skills and managerial capability and encourage the learning and further development of the employees at all levels. The Group arranges the trainings designated according to the roles and responsibilities of the employees, mainly includes human resources management, managerial skills, legal affairs, risk management, project running, financial and auditing, technical research and development, environmental protection, occupational health and safety etc. The Group also updates the latest information of the industry and laws and regulations which is essential to the Group's operation and their job responsibilities from time to time.

Labour Standards

The Group's recruitment management system measures clearly on the staff's requirement. Review and verification of applicant's identity information are required during the recruitment process, and recruitment of child labour is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience will not be employed. The Group provides its staff with a safe, health, comfortable working environment with labour protection, reasonable remuneration and various welfare. The Group enters into employment contract with each of its employees in accordance with relevant laws and regulations in the PRC and Hong Kong and also prohibits child and forced labour.

Operating Practices

Supply Chain Management

The Group values the partnership with suppliers and works together to promote sustainable development of the industry. The Group has been continuously optimising and improving the supplier management system, regulating the access, supervision, evaluation and departure of suppliers, and constantly increasing specialisation and transparency of supply chain management. The evaluation of a supplier mainly includes background, qualification (for example, holding necessary licenses to provide such services), quality control of service, financial status, past performance in similar service, fulfilment of contract, professionalism of project team, operation in good integrity and social responsibility. Whether the supplier is qualified is determined based on the evaluation results, and those suppliers who fail to meet the requirements will ultimately be disqualified. The Group values communication with suppliers, including continuous communication with suppliers in routine work and establishing strategic cooperation with suppliers through technical support and unique competitive advantage that can achieve a win-win situation and strengthen the cooperation with each other.

Product Responsibility

The Group aims to achieve the highest possible standard with all the services provided. The Group has established relevant policies which cover service quality guarantee, safety, fair advertising and after-sale service in order to ensure that relevant measures comply with the laws and regulations.

The Group pays close attention to the quality and safety of its products and services. In 2016, the Group did not receive any complaints or request to terminate relationship due to poor quality and safety. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. The Group has close connection with customers. If customers are not satisfied with the quality and safety of the services, the Group will arrange sufficient channels and staff to support customers' communication and provide solutions to the problems as soon as possible.

The routine work of the Group always involves the intellectual property rights of customers, suppliers and the Group, therefore protection of intellectual property rights is extremely important. The Group adds protective clauses to the contracts entered into with customers and suppliers to safeguard intellectual property rights. The Group's legal department also reviews every operational contract to ensure that the contract safeguards the intellectual property rights of the parties. Furthermore, The Group also requests technical specialists to sign confidentiality agreements. The Group also complies with relevant data privacy legislations. All confidential data of customers can only be accessed by the staff who are responsible the projects for of elevant clients.

With respect to fair advertising, the Group requires the employees of the sales department to provide customers with accurate and true information on the Group's products and services. Hotline and e-mail are also available for customers' enquiries on service details in order to provide better before and after sale services.

Anti-corruption

All of the Group's operations comply with local and national legislations on standards of conduct, such as with the Prevention of Bribery Ordinance in Hong Kong and relevant legislations on anti-corruption and bribery in other jurisdictions.

The Group requires employees to strictly conform to code of business ethics and put any corruption bribe behaviour to an end as stipulated in the employment contracts. Cases of conflict of interest must be reported to the Group's management. Employees who engage in business operations and represent the Company's professional image are strictly prohibited to use business opportunities for personal interest or benefit.

Public tendering will be made for any project in larger sum where at least three suppliers are invited for tender. Service contracts in different amount are required to be examined and approved by different management.

Community

Community Investment and involvement

The Group always seeks to be a positive force in the communities in which it operates and maintain close ties with the communities in order to contribute to local development.

The Group believes that the creation of a beautiful and peaceful community depends on the cooperation of people, corporations and society as a whole. By working together with various community partners, the Group believes that it can bring a tremendous impact on the sustainable development of the communities in which it operates.

The Group will also actively encourage staff to devote their time and skills to benefit local communities. It gives employees the opportunities to find out more about the issues about society and the environment and reinforce the Group's corporate values.

The Group will consider from time to time donation to charitable organisations if the Group records profit after tax and has sufficient cash flow.

INDEPENDENT AUDITORS' REPORT

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
(Incorporated in the Cayman Islands with limited liability)

OPINION

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 39 to 89, which comprise the consolidated statement of financial position as at 31 December 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 six months ended 31 December 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the six months ended 31 December 2016 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables	
Refer to note 18 to the consolidated financial statements. At 31 December 2016, the carrying amount of trade receivables (before allowance for bad and doubtful debts) is approximately HK$1,639,000, including approximately HK$1,045,000 that has been past due but not impaired. We identified the valuation of trade receivables as a key audit matter due to the use of judgement and estimates in assessing the allowance for doubtful debts. In assessing the allowance for doubtful debts, the management considers the credit quality of individual trade receivables, including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade receivables.	Our procedures in relation to the valuation of trade receivables included: • Obtaining an understanding of how the allowance for doubtful debts is estimated by the management. • Checking the ageing analysis of the trade receivables throughout the year to understand movements in the ageing and the settlement pattern of the customers. • Testing the ageing analysis of the trade receivables, on a sample basis, to the source documents, including sales invoices and good delivery notes. • Assessing the reasonableness of allowance for doubtful debts with reference to the credit profile including default or delay in payments, settlement records, subsequent settlements and ageing analysis of individual customers.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

OTHER INFORMATION *(continued)*

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	NOTES	**1.7.2016 to 31.12.2016 *HK$'000***	1.7.2015 to 30.6.2016 *HK$'000*
Revenue	*8*	**9,530**	26,070
Cost of sales		**(5,736)**	(15,420)
Gross profit		**3,794**	10,650
Other income	*10*	**254**	135
Selling and distribution costs		**(1,517)**	(3,921)
Administrative expenses		**(8,916)**	(12,687)
Research and development expenditure		**(1,150)**	(2,932)
Loss before taxation	*11*	**(7,535)**	(8,755)
Income tax	*13*	**–**	–
Loss for the period/year		**(7,535)**	(8,755)
Other comprehensive income for the period/year:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**135**	755
Total comprehensive expense for the period/year		**(7,400)**	(8,000)
Loss for the period/year attributable to:			
Owners of the Company		**(7,517)**	(8,693)
Non-controlling interests		**(18)**	(62)
		(7,535)	(8,755)
Total comprehensive (expense)/income for the period/year attributable to:			
Owners of the Company		**(7,414)**	(8,019)
Non-controlling interests		**14**	19
		(7,400)	(8,000)
			(Restated)
Loss per share	*14*		
– Basic		**45 cents**	52 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	31.12.2016 HK$'000	30.6.2016 HK$'000
Non-current assets			
Property, plant and equipment	15	11,627	227
Capitalised development costs	16	461	757
		12,088	984
Current assets			
Inventories	17	1,560	2,901
Trade and other receivables	18	2,754	2,740
Bank balances and cash	19	49,460	66,282
		53,774	71,923
Current liabilities			
Trade and other payables	20	2,994	2,639
Net current assets		50,780	69,284
Total assets less current liabilities		62,868	70,268
Capital and reserves			
Share capital	21	3,348	3,348
Reserves		59,982	67,396
Equity attributable to owners of the Company		63,330	70,744
Non-controlling interests		(462)	(476)
Total equity		62,868	70,268

The consolidated financial statements on pages 39 to 89 were approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Dr. Woo Kwok Fai Louis
DIRECTOR

Mr. Cheng Michael Ichiang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Translation 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 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
Loss for the period	–	–	–	–	(7,517)	(7,517)	(18)	(7,535)
Other comprehensive income for the period Exchange differences arising on translating foreign operations	–	–	103	–	–	103	32	135
Total comprehensive (expense)/ income for the period	–	–	103	–	(7,517)	(7,414)	14	(7,400)
At 31 December 2016	**3,348**	**85,917**	**153**	**14,990**	**(41,078)**	**63,330**	**(462)**	**62,868**

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 six months ended 31 December 2016

	NOTE	1.7.2016 to 31.12.2016 HK$'000	1.7.2015 to 30.6.2016 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(7,535)**	(8,755)
Adjustments for:			
Amortisation of capitalised development costs		**296**	1,682
Depreciation of property, plant and equipment		**60**	126
Reversal of allowance for obsolete stocks		**(532)**	(327)
Write down of inventories		**853**	1,241
Allowance/(Reversal of allowance) for bad and doubtful debts		**94**	(1)
Interest income from bank deposits		**(2)**	(9)
Loss on disposal of property, plant and equipment		**35**	5
Operating cash flows before movements in working capital		**(6,731)**	(6,038)
Decrease in inventories		**1,020**	1,474
(Increase)/Decrease in trade and other receivables		**(108)**	961
Increase in trade and other payables		**355**	751
Cash used in operations		**(5,464)**	(2,852)
Interest received		**2**	9
NET CASH USED IN OPERATING ACTIVITIES		**(5,462)**	(2,843)
INVESTING ACTIVITIES			
Increase in capitalised development costs		**–**	(320)
Purchases of property, plant and equipment		**(11,496)**	(12)
Disposal of subsidiaries	27	**–**	(20)
NET CASH USED IN INVESTING ACTIVITIES		**(11,496)**	(352)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,958)**	(3,195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		**66,282**	68,715
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**136**	762
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, represented by bank balances and cash		**49,460**	66,282

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 sales and distribution, repairs and other service support of IT products.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

During the current financial period, the reporting period end date of the Group was changed from 30 June to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with that of the ultimate holding company and the operating subsidiaries established/incorporated in the People’s Republic of China (“PRC”) and the United States of America. Accordingly, the consolidated financial statements for the current period cover the six month period ended 31 December 2016. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a twelve month period from 1 July 2015 to 30 June 2016 and therefore may not be comparable with amounts shown for the current period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current period:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
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 2017

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 for 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*

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 Revenue from Contracts with Customers *(continued)*

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 Leases *(continued)*

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK$1,529,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise, except for 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 disposal or partial disposal of the Group's interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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).

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to 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 the 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements *(continued)*

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

Share options granted to employees (continued)

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.

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Internally-generated intangible assets – Research and development expenditure *(continued)*

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.

Impairment 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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.

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.

4. 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, 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(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.

5. 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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 six months ended 31 December 2016 and the year ended 30 June 2016.

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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
– Trade and other receivables	**2,208**	2,358
– Bank balances and cash	**49,460**	66,282
	51,668	68,640
Financial liabilities		
Amortised cost:		
– Trade and other payables	**2,795**	2,621

6. FINANCIAL INSTRUMENTS *(continued)*

(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 50% (Year ended 30 June 2016: 49%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 39% (Year ended 30 June 2016: 32%) of costs are denominated in the group entity's functional currencies.

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

	Liabilities		**Assets**	
	31.12.2016	30.6.2016	**31.12.2016**	30.6.2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
British Pound ("GBP")	**138**	626	**1,803**	2,352
Renminbi ("RMB")	**3**	4	**35**	31
Singapore Dollar ("SGD")	**16**	–	**–**	–
New Taiwan Dollar ("NTD")	**46**	–	**48**	–

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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis *(continued)*

The following table details the Group's sensitivity to a 5% (Year ended 30 June 2016: 5%) increase and decrease in Hong Kong dollars against GBP and RMB. 5% (Year ended 30 June 2016: 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% (Year ended 30 June 2016: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss where Hong Kong dollars weaken 5% (Year ended 30 June 2016: 5%) against GBP and RMB. For a 5% (Year ended 30 June 2016: 5%) strengthening of Hong Kong dollars against GBP and RMB, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	Impact of GBP		**Impact of RMB**	
	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016	**1.7.2016 to 31.12.2016**	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Profit or loss	**83**	86	**2**	1

(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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

At the end of the reporting period, 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.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, 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.

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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Liquidity tables

	On demand or less than 3 months *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at the end of the reporting period *HK$'000*
31.12.2016			
Non-derivative financial liabilities			
Trade and other payables	**2,795**	**2,795**	**2,795**
30.6.2016			
Non-derivative financial liabilities			
Trade and other payables	2,621	2,621	2,621

7. 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.

7. CAPITAL RISK MANAGEMENT *(continued)*

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

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Debt *(i)*	**–**	–
Equity *(ii)*	**63,330**	70,744
Gearing ratio	**–%**	–%

(i) Debt is defined as borrowings.

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

8. REVENUE

An analysis of the Group's revenue from its major product and service for the period/year is as follows:

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Sales of video surveillance systems	**9,508**	26,070
Repair service income	**22**	–
	9,530	26,070

9. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the six months ended 31 December 2016, the Group's operating and reporting segments are as follows:

Sales and distribution of IT products – Design, manufacturing and marketing of video surveillance systems and distribution of third party IT products

Repairs and service support – Provision of repair, maintenance and other service support for electronic products

9. SEGMENT INFORMATION *(continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

Six months ended 31 December 2016

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	**9,508**	**22**	**9,530**
Segment (loss)/profit	**(1,544)**	**11**	**(1,533)**
Interest income from bank deposits			**2**
Unallocated expenses			**(6,004)**
Loss before taxation			**(7,535)**

Year ended 30 June 2016

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	26,070	–	26,070
Segment loss	(8,764)	–	(8,764)
Interest income from bank deposits			9
Loss before taxation			(8,755)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments and interest income. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

9. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Sales and distribution of IT products	**4,292**	6,625
Repairs and service support	**11,315**	–
Total segment assets	**15,607**	6,625
Unallocated assets	**50,255**	66,282
Consolidated assets	**65,862**	72,907

Segment liabilities

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Sales and distribution of IT products	**1,054**	2,639
Repairs and service support	**–**	–
Total segment liabilities	**1,054**	2,639
Unallocated liabilities	**1,940**	–
Consolidated liabilities	**2,994**	2,639

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and unallocated corporate assets and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

9. SEGMENT INFORMATION *(continued)*

Other segment information

Six months ended 31 December 2016

	Sales and distribution of IT products	**Repairs and service support**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	**169**	**11,315**	**12**	**11,496**
Amortisation of capitalised development costs	**296**	**–**	**–**	**296**
Depreciation of property, plant and equipment	**40**	**–**	**20**	**60**
Loss on disposal of property, plant and equipment	**31**	**–**	**4**	**35**
Allowance for bad and doubtful debts	**94**	**–**	**–**	**94**
Reversal of allowance for obsolete stocks	**532**	**–**	**–**	**532**
Write down of inventories	**853**	**–**	**–**	**853**

Year ended 30 June 2016

	Sales and distribution of IT products	Repairs and service support	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	332	–	–	332
Amortisation of capitalised development costs	1,682	–	–	1,682
Depreciation of property, plant and equipment	126	–	–	126
Loss on disposal of property, plant and equipment	5	–	–	5
Reversal of allowance for bad and doubtful debts	1	–	–	1
Reversal of allowance for obsolete stocks	327	–	–	327
Write down of inventories	1,241	–	–	1,241

9. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operations are located in Hong Kong, 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**	
	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016	**31.12.2016**	30.6.2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Asia	**6,374**	18,357	**12,088**	954
Europe	**1,849**	4,467	**–**	30
Africa	**1,196**	2,636	**–**	–
Others	**111**	610	**–**	–
	9,530	26,070	**12,088**	984

9. SEGMENT INFORMATION *(continued)*

Information about major customers

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

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Customer A	**1,022**	3,133
Customer B	**1,163**	2,629
Customer C	**1,022**	N/A[1]

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

10. OTHER INCOME

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Other income is analysed as follows:		
Interest income from bank deposits	**2**	9
Management fee income	**187**	–
Others	**65**	126
	254	135

11. LOSS BEFORE TAXATION

	1.7.2016 to 31.12.2016 **_HK$'000_**	1.7.2015 to 30.6.2016 _HK$'000_
Loss before taxation has been arrived at after charging/(crediting):		
Staff salaries and other benefits (including directors' remuneration)	**4,148**	9,013
Retirement benefits schemes contributions	**105**	406
Total staff costs	**4,253**	9,419
Less: Amount capitalised as development costs	**–**	(320)
	4,253	9,099
Amortisation of capitalised development costs (included in research and development expenditure)	**296**	1,682
Auditors' remuneration	**455**	441
Depreciation of property, plant and equipment	**60**	126
Loss on disposal of property, plant and equipment	**35**	5
Net foreign exchange loss	**328**	1,160
Allowance/(Reversal of allowance) for bad and doubtful debts	**94**	(1)
Reversal of allowance for obsolete stocks (included in cost of sales)	**(532)**	(327)
Write down of inventories (included in cost of sales)	**853**	1,241
Cost of inventories recognised as an expense	**5,347**	14,392

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

The emoluments paid or payable to each of the nine (Year ended 30 June 2016: fourteen) directors were as follows:

Six months ended 31 December 2016

		Other emoluments		
	Fees	Salaries and other benefits	Contributions to retirement benefit schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Dr. Woo Kwok Fai Louis *(Chief Executive) (note (i))*	–	140	–	140
Mr. Hui Lap Shun *(note (ii))*	–	–	–	–
Mr. Chien Yi Pin *(note (ii))*	–	–	–	–
Ms. Chen Ching Hsuan *(note (ii))*	–	–	–	–
Mr. Chen Haining *(note (iii))*	17	–	–	17
Non-executive directors				
Mr. Tse Tik Yang Denis *(note (ii))*	–	–	–	–
Independent non-executive directors				
Mr. Yeung Wai Hung Peter *(note (ii))*	60	–	–	60
Ms. Wu Yi Shuan *(note (iv))*	60	–	–	60
Mr. Miao Benny Hua Ben *(note (iv))*	60	–	–	60
	197	140	–	337

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

Year ended 30 June 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 (v))*	23	–	1	24
Dr. Ma Chi Kit *(note (vi))*	–	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 (iv))*	1	–	–	1
Mr. Miao Benny Hua Ben *(note (iv))*	1	–	–	1
Mr. Luk Chi Shing *(note (vi))*	120	–	–	120
Mr. Yau Chi Ming *(note (vi))*	120	–	–	120
Mr. Chang Kin Man *(note (vi))*	120	–	–	120
	392	1,120	20	1,532

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

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 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 27 June 2016.

(v) Resigned on 4 August 2015.

(vi) Resigned on 27 June 2016.

During the six months ended 31 December 2016, the five highest paid individuals are neither a director nor chief executive of the Company. During the year ended 30 June 2016, the five highest paid individuals included one director, details of whose emoluments are set out above. The emoluments of the five (Year ended 30 June 2016: four) non-director individuals, which fall within the band of nil to HK$1,000,000 for the period/year, were as follows:

	1.7.2016 to 31.12.2016 ***HK$'000***	1.7.2015 to 30.6.2016 *HK$'000*
Salaries and other benefits	**1,273**	1,818
Contributions to retirement benefits schemes	**40**	60
	1,313	1,878

During the six months ended 31 December 2016 and the year ended 30 June 2016, 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 six months ended 31 December 2016 and the year ended 30 June 2016.

13. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% (Year ended 30 June 2016: 16.5%) of the estimated assessable profits for the period. No Hong Kong Profits Tax has been made for the six months ended 31 December 2016 as the Company and its subsidiaries did not generate any assessable profits for the period. 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.

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

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

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Loss before taxation	**(7,535)**	(8,755)
Tax at the domestic income tax rate of 16.5%	**(1,243)**	(1,445)
Tax effect of expenses not deductible for tax purpose	**43**	301
Tax effect of income not taxable for tax purpose	**(69)**	(29)
Tax effect of tax losses not recognised	**1,326**	1,300
Utilisation of tax losses previously not recognised	**–**	(63)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(23)**	(72)
Others	**(34)**	8
Tax charge for the period/year	**–**	–

14. LOSS PER SHARE

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

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share (Loss for the period/year attributable to owners of the Company)	**(7,517)**	(8,693)
	'000	*'000* (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**16,738**	16,738

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the Share Consolidation in February 2017.

No diluted loss per share for the six months ended 31 December 2016 and the year ended 30 June 2016 were presented as there were no potential ordinary shares in issue for the current period and prior year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Machinery *HK$'000*	Total *HK$'000*
COST					
At 1 July 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
Exchange adjustments	–	(1)	(10)	–	(11)
Additions	96	73	12	11,315	11,496
Disposals	(413)	(80)	(547)	–	(1,040)
At 31 December 2016	**122**	**272**	**1,190**	**11,315**	**12,899**
DEPRECIATION					
At 1 July 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
Exchange adjustments	–	(1)	(9)	–	(10)
Provided for the period	14	12	34	–	60
Eliminated on disposals	(413)	(80)	(512)	–	(1,005)
At 31 December 2016	**24**	**155**	**1,093**	**–**	**1,272**
CARRYING AMOUNTS					
At 31 December 2016	**98**	**117**	**97**	**11,315**	**11,627**
At 30 June 2016	16	56	155	–	227

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum from the date it is available for use:

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

16. CAPITALISED DEVELOPMENT COSTS

	HK$'000
COST	
At 1 July 2015	17,082
Additions	320
At 30 June 2016 and 31 December 2016	**17,402**
AMORTISATION	
At 1 July 2015	14,963
Provided for the year	1,682
At 30 June 2016	16,645
Provided for the period	296
At 31 December 2016	**16,941**
CARRYING AMOUNTS	
At 31 December 2016	**461**
At 30 June 2016	757

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 31 December 2016 and 30 June 2016.

17. INVENTORIES

	31.12.2016 HK$'000	30.6.2016 HK$'000
Raw materials	768	1,393
Finished goods	792	1,508
	1,560	2,901

18. TRADE AND OTHER RECEIVABLES

	31.12.2016 HK$'000	30.6.2016 HK$'000
Trade receivables	1,639	1,467
Less: Allowance for bad and doubtful debts	(99)	(11)
	1,540	1,456
Prepayments, deposits and other receivables	1,214	1,284
Total trade and other receivables	2,754	2,740

The Group allows an average credit period of 1 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:

	31.12.2016 HK$'000	30.6.2016 HK$'000
Current and less than 1 month overdue	1,231	1,314
1 to 3 months overdue	309	142
	1,540	1,456

18. TRADE AND OTHER RECEIVABLES *(continued)*

Before accepting new customer, 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$1,045,000 (30 June 2016: HK$612,000) 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

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Less than 3 months overdue	**1,045**	612

Movement in the allowance for bad and doubtful debts

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
At beginning of the period/year	**11**	140
Allowance/(Reversal of allowance) for bad and doubtful debts	**94**	(1)
Amounts written off as uncollectible	**–**	(126)
Exchange adjustments	**(6)**	(2)
At end of the period/year	**99**	11

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$99,000 (30 June 2016: HK$11,000) which were past due and not recoverable as the debtors are experiencing financial difficulties. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
More than 3 months overdue	**99**	11

19. 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 0.35% (30 June 2016: 0.001% to 0.3%) per annum. At 31 December 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$14,000 (30 June 2016: HK$10,000).

20. TRADE AND OTHER PAYABLES

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Trade payables	**624**	1,094
Accruals and other payables	**2,370**	1,545
Total trade and other payables	**2,994**	2,639

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:

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Current and less than 1 month overdue	**585**	889
1 to 3 months overdue	**–**	192
More than 3 months overdue	**39**	13
	624	1,094

The normal credit period on purchases of goods is 1 month.

21. SHARE CAPITAL

	Number of shares		Share capital	
	31.12.2016	30.6.2016	**31.12.2016**	30.6.2016
	'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 period/year	**20,000,000**	40,000	**80,000**	8,000
Increase in authorised share capital *(note (i))*	**–**	360,000	**–**	72,000
Share Subdivision *(note (ii))*	**–**	19,600,000	**–**	–
At end of the period/year	**20,000,000**	20,000,000	**80,000**	80,000
Issued and fully paid:				
At beginning of the period/year	**836,921**	16,738	**3,348**	3,348
Share Subdivision *(note (ii))*	**–**	820,183	**–**	–
At end of the period/year	**836,921**	836,921	**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 ("Share Subdivision"). The Share Subdivision was effective on 14 August 2015.

22. SHARE OPTION SCHEME

Share Option Scheme adopted on 11 November 2016 (the "2016 Option Scheme")

Pursuant to a resolution passed on 11 November 2016, the 2016 Option Scheme was adopted to recognise and motivate the contribution of the eligible participants 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, consultants, advisers, substantial shareholders, distributors, agents, contractors, suppliers, customers, business partners and service providers of the Group to subscribe for shares in the Company.

22. SHARE OPTION SCHEME *(continued)*

Share Option Scheme adopted on 11 November 2016 (the "2016 Option Scheme") *(continued)*

The total number of shares in respect of which options may be granted under the 2016 Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Option may be granted at a consideration of HK$1 and should be accepted within seven days from the date of grant. Options may be exercised at any time during the period as the Board may determine which shall not exceed ten years from the date of grant. The subscription price is determined by the Board and 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 the Company's share.

No share options were granted since the date of adoption of the 2016 Option Scheme.

23. DEFERRED TAX

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

	Accelerated tax depreciation	Capitaliesd development costs	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2015	17	350	(367)	–
(Credit)/Charge to profit or loss	(6)	(225)	231	–
At 30 June 2016	11	125	(136)	–
(Credit)/Charge to profit or loss	(1)	(49)	50	–
At 31 December 2016	**10**	**76**	**(86)**	**–**

23. DEFERRED TAX *(continued)*

At 31 December 2016, the Group has unused tax losses of approximately HK$44,091,000 (30 June 2016: HK$37,579,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$523,000 (30 June 2016: HK$824,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$43,568,000 (30 June 2016: HK$36,755,000) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of approximately HK$1,410,000 (30 June 2016: HK$1,755,000) that will expire in one to five years. The remaining tax losses may be carried forward indefinitely.

24. 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$105,000 (Year ended 30 June 2016: HK$406,000) represents contributions payable to these schemes by the Group in respect of current accounting period.

25. OPERATING LEASES

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Minimum lease payments made under operating leases in respect of premises during the period/year	**1,296**	2,981

25. OPERATING LEASES *(continued)*

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:

	31.12.2016	30.6.2016
	HK$'000	*HK$'000*
Within one year	**1,056**	1,276
In the second to fifth years inclusive	**473**	–
	1,529	1,276

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of two (30 June 2016: four) years and rentals are fixed for an average of two (30 June 2016: four) years.

26. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	1.7.2016 to 31.12.2016	1.7.2015 to 30.6.2016
	HK$'000	*HK$'000*
Short-term benefits	**337**	1,512
Post-employment benefits	**–**	20
	337	1,532

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

27. 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:

Consideration received:

	HK$'000
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)

28. 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 31.12.2016 %	Directly 30.6.2016 %	**Indirectly 31.12.2016 %**	Indirectly 30.6.2016 %	
CircuTech Investment Holdings (BVI) Limited	British Virgin Islands ("BVI")	US$1	**100**	–	**–**	–	Investment holding
Signal Communications Holdings Limited	BVI	HK$15,000,000	**100**	100	**–**	–	Investment holding
CircuTech Enterprises (HK) Limited	Hong Kong	HK$1,000	**–**	–	**100**	100	Sales and distribution together with repairs and other service support of IT products
CircuTech Investment Limited	Hong Kong	HK$1	**–**	–	**100**	–	Investment holding, sales and distribution together with repairs and other service support of IT products
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 period/year or at any time during the period/year.

29. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31.12.2016 HK$'000	30.6.2016 HK$'000
Non-current asset		
Investments in subsidiaries	**10**	10
Current assets		
Prepayments and deposits	**228**	594
Amounts due from subsidiaries	**38,810**	41,340
Bank balances	**12,027**	24,469
	51,065	66,403
Current liabilities		
Accruals	**1,803**	882
Net current assets	**49,262**	65,521
Total assets less current liabilities	**49,272**	65,531
Capital and reserves		
Share capital	**3,348**	3,348
Reserves	**45,924**	62,183
Total equity	**49,272**	65,531

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 24 March 2017 and are signed on its behalf by:

Dr. Woo Kwok Fai Louis
DIRECTOR

Mr. Cheng Michael Ichiang
DIRECTOR

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

Movement in the Company's reserves

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 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
Loss and total comprehensive expense for the period	–	(16,259)	(16,259)
At 31 December 2016	**85,917**	**(39,993)**	**45,924**

30. EVENT AFTER THE REPORTING PERIOD

Pursuant to an ordinary resolution passed at an EGM of the Company on 3 February 2017, every fifty(50) issued and unissued shares of the Company of HK$0.004 each were consolidated into one Consolidated Share of HK$0.20 each. The Share Consolidation became effective on 6 February 2017.

FINANCIAL SUMMARY

RESULTS

	Year ended 30 June				Six months ended 31 December
	2013	2014	2015	2016	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	39,159	37,513	28,941	26,070	**9,530**
Loss before taxation	(5,365)	(6,635)	(7,937)	(8,755)	**(7,535)**
Income tax credit	13	–	–	–	**–**
Loss for the year/period	(5,352)	(6,635)	(7,937)	(8,755)	**(7,535)**
Attributable to:					
Owners of the Company	(5,268)	(6,548)	(7,843)	(8,693)	**(7,517)**
Non-controlling interests	(84)	(87)	(94)	(62)	**(18)**
	(5,352)	(6,635)	(7,937)	(8,755)	**(7,535)**

ASSETS AND LIABILITIES

	At 30 June				At 31 December
	2013	2014	2015	2016	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	39,542	31,756	80,176	72,907	**65,862**
Total liabilities	(4,455)	(2,435)	(1,908)	(2,639)	**(2,994)**
	35,087	29,321	78,268	70,268	**62,868**
Equity attributable to:					
Owners of the Company	35,396	29,760	78,763	70,744	**63,330**
Non-controlling interests	(309)	(439)	(495)	(476)	**(462)**
	35,087	29,321	78,268	70,268	**62,868**