



千里眼控股有限公司
TeleEye Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

2008/2009 THIRD QUARTERLY RESULTS ANNOUNCEMENT

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

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This announcement, for which the directors of TeleEye Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to TeleEye Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$39,350,000 for the nine months ended 31 March 2009, representing a decrease of approximately 12% when compared with the same period in 2008.
- The Group recorded a profit attributable to the equity holders of the Company of approximately HK\$134,000 for the nine months ended 31 March 2009, representing a decrease of approximately 96% when compared with the same period in 2008.
- The Board of Directors does not recommend the payment of an interim dividend for the nine months ended 31 March 2009.

RESULTS

The Board of Directors (the “Board”) of TeleEye Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 March 2009, together with the comparative unaudited figures for the corresponding periods in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	2	9,866	16,020	39,350	44,810
Cost of sales		(4,728)	(7,218)	(19,865)	(21,890)
Gross profit		5,138	8,802	19,485	22,920
Other income		3	123	472	418
Selling and distribution costs		(2,904)	(3,183)	(8,337)	(8,935)
Administrative expenses		(2,780)	(2,134)	(8,192)	(6,880)
Research and development expenditure		(823)	(970)	(3,105)	(3,094)
(Loss)/profit before taxation	3	(1,366)	2,638	323	4,429
Income tax credit/(expense)	4	63	(414)	(212)	(800)
(Loss)/profit for the period		<u>(1,303)</u>	<u>2,224</u>	<u>111</u>	<u>3,629</u>
Attributable to:					
Equity holders of the Company		(1,397)	2,175	134	3,820
Minority interests		94	49	(23)	(191)
		<u>(1,303)</u>	<u>2,224</u>	<u>111</u>	<u>3,629</u>
(Loss)/earnings per share	5				
– basic		<u>(0.78) cent</u>	<u>1.21 cent</u>	<u>0.07 cent</u>	<u>2.12 cent</u>
– diluted		<u>(0.78) cent</u>	<u>1.20 cent</u>	<u>0.07 cent</u>	<u>2.11 cent</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Etin Tech Limited, a company incorporated in the British Virgin Islands (“BVI”).

The condensed financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed financial statements have also been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The principal accounting policies adopted in the preparation of the condensed financial statements are consistent with those adopted by the Group in its annual accounts for the year ended 30 June 2008.

2. REVENUE

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

3. (LOSS)/PROFIT BEFORE TAXATION

	Three months ended		Nine months ended	
	31 March		31 March	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit before taxation has been arrived at after charging/(crediting):				
Allowance of bad and doubtful debts	445	38	750	224
Amortisation of capitalised development costs included in research and development expenditure	168	185	556	750
Depreciation of property, plant and equipment	203	198	620	466
Dividends from available-for-sale investments	–	(24)	(48)	(81)
Fair value gains released on sales of available-for-sale investments	–	–	(224)	–
Interest income	(5)	(77)	(138)	(290)
Net foreign exchange loss	622	–	1,328	48
(Reversal of)/provision for slow-moving goods (included in cost of sales)	(204)	229	124	488
Write-down of inventories (included in cost of sales)	98	–	110	137
	98	–	110	137

4. INCOME TAX

Income tax credit/(charge) in the condensed consolidated income statement represented:

	Three months ended		Nine months ended	
	31 March		31 March	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reversal of/(provision for) Hong Kong profits tax for the period	63	(392)	(197)	(531)
Provision for profits tax in other jurisdictions	–	(1)	–	(13)
	<u>63</u>	<u>(393)</u>	<u>(197)</u>	<u>(544)</u>
Deferred taxation	–	(21)	(15)	(256)
	<u>63</u>	<u>(414)</u>	<u>(212)</u>	<u>(800)</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong for the nine months ended 31 March 2009.

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

5. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Three months ended		Nine months ended	
	31 March		31 March	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/earnings				
(Loss)/profit for the period attributable to equity holders of the Company	<u>(1,397)</u>	<u>2,175</u>	<u>134</u>	<u>3,820</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>180,300</u>	<u>180,300</u>	<u>180,300</u>	<u>180,298</u>
Effect of dilutive potential ordinary shares in respect of:				
– Share options	–	712	365	1,211
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>180,300</u>	<u>181,012</u>	<u>180,665</u>	<u>181,509</u>

Diluted loss per share for the three months ended 31 March 2009 has not been shown as the share options outstanding during last period has an anti-dilutive effect on the basic earnings per share for last period.

6. MOVEMENT OF RESERVES

	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2007 (audited)	21,638	(281)	983	14,990	(7,649)	29,681
Exchange differences on translation of overseas operations	-	77	-	-	-	77
Loss on fair value of available-for-sale investments	-	-	(182)	-	-	(182)
Net income/(expense) directly recognised in equity	-	77	(182)	-	-	(105)
Profit for the period	-	-	-	-	3,820	3,820
Total recognised income/(expense) for the period	-	77	(182)	-	3,820	3,715
Issue of ordinary shares upon exercise of share options	8	-	-	-	-	8
At 31 March 2008 (unaudited)	<u>21,646</u>	<u>(204)</u>	<u>801</u>	<u>14,990</u>	<u>(3,829)</u>	<u>33,404</u>
At 1 July 2008 (audited)	21,646	(273)	847	14,990	(3,652)	33,558
Exchange differences on translation of overseas operations	-	(1,466)	-	-	-	(1,466)
Loss on fair value of available-for-sale investments	-	-	(1,510)	-	-	(1,510)
Net expense directly recognised in equity	-	(1,466)	(1,510)	-	-	(2,976)
Fair value gains released on sale of available-for-sale investments	-	-	(224)	-	-	(224)
Profit for the period	-	-	-	-	134	134
Total recognised (expense)/income for the period	-	(1,466)	(1,734)	-	134	(3,066)
At 31 March 2009 (unaudited)	<u>21,646</u>	<u>(1,739)</u>	<u>(887)</u>	<u>14,990</u>	<u>(3,518)</u>	<u>30,492</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and nine months ended 31 March 2009 (2008: Nil).

FINANCIAL REVIEW

The Group's turnover for the nine months ended 31 March 2009 was approximately HK\$39,350,000, representing a decrease of approximately 12% as compared with a turnover of approximately HK\$44,810,000 of the same period in last year. Profit attributable to the equity holders of the Company for the nine months ended 31 March 2009 amounted to approximately HK\$134,000, as compared with approximately HK\$3,820,000 for the corresponding period of last year. The drop in profit in the recent three months is mainly attributable to the decrease in sales, increase in foreign exchange loss and the provision of bad and doubtful debts.

BUSINESS REVIEW

In January 2009, the Group launched new CX products, such as CX784, CX788 and CX7816. The new CX Series is incorporated with proprietary SMAC-M multi-stream coder technology. Users can experience seamless video transmission and excellent DVD quality recording performance without compromise. And the CX Series records 60% longer and transmits 50% faster than MPEG-4 systems. In addition, the Group has introduced the new product of TeleEye CMS V3 Site Map (CMS3-SM) which is an additional module for the CMS V3 Central Monitoring Station Software. With the CMS-SM site map module, users can upload different site maps, manage cameras and verify alarms of remote sites by just a few clicks on the map.

During February 2009, the Group launched new NXR products like NXR-16, NXR-32 and NXR-64. The NXR Series allows users to set their high frame rate and recording resolution independently. Users can record high resolution video, and view perfect live images simultaneously.

BUSINESS OUTLOOK

The global economic climate remains tough. Recession in many countries where we generated our major revenues are deep and wide. While economic situations in some countries have stabilized, we do not expect a fast recovery in the next two quarters. We will therefore maintain a tight control on all overhead costs. However, we will not slow down our new product development effort. We believe new products will help us capture market share in time of recovery.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

At 31 March 2009, the interests of the directors and chief executives and their associates in the shares and share options of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (“SFO”)) which were required pursuant to Section 352 of the SFO, or which are required pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares

(a) Ordinary shares of HK\$0.01 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Prof. Chan Chok Ki	Held by controlled corporation (note 1)	104,000,000	57.7%
Dr. Chan Cheung Fat	Held by controlled corporation (note 1)	104,000,000	57.7%

(b) Share options

Name of directors	Capacity	Number of share options held	Number of underlying shares
Prof. Chan Chok Ki	Beneficial owner (note 2)	2,700,000	2,700,000
Dr. Ma Chi Kit	Beneficial owner (note 2)	2,160,000	2,160,000
Mr. Ho Ka Ho	Beneficial owner (note 2)	2,044,000	2,044,000

Notes:

- (1) These shares, representing approximately 57.7% of the issued share capital of the Company as at 31 March 2009, are held by Etin City Limited, which is owned by Etin Tech Limited and CityU Enterprises Limited in the proportion of 70% and 30% respectively. Etin Tech Limited is owned by Prof. Chan Chok Ki, Dr. Chan Cheung Fat, Dr. Ma Chi Kit and Mr. Ho Ka Ho in the proportion of approximately 44.3%, 34.3%, 14.3% and 7.1% respectively. As Prof. Chan Chok Ki and Dr. Chan Cheung Fat are entitled to exercise or control the exercise of 30% or more of the voting power in general meetings of Etin Tech Limited, they are deemed to be interested in the entire shares in the Company held by Etin City Limited.
- (2) The share options are granted to the directors pursuant to the share option schemes adopted by the Company, details of which are set out under the header of “Share Option Schemes” below.

Save as disclosed above, and other than a nominee share in a subsidiary held by a director in trust for the Group, at 31 March 2009, none of the directors, the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

(i) Pre-IPO Share Option Scheme (the “Pre-IPO Scheme”)

The Pre-IPO Scheme was adopted pursuant to a resolution passed on 12 April 2001 to recognise the contribution of executive directors and employees of the Company and its subsidiaries to the growth of the Group. The options granted under the scheme grant the right to the holders to subscribe for new ordinary shares of the Company at HK\$0.60 per ordinary share and the maximum number of shares in respect of which options might be granted under the scheme was 14,400,000. The number of shares in respect of which options might be granted to any individual was not permitted to exceed 3,600,000.

Options might be granted without any initial payment. Options granted are exercisable to the extent of an aggregate total of 25%, 50%, 75% and 100% at anytime after 6 months, 18 months, 30 months and 42 months respectively, from the commencement of the trading of the shares of the Company on the GEM, and have a duration of 10 years from their respective vesting dates.

Upon the listing of the Company’s shares on the GEM on 8 May 2001 no further options could be granted by the Company under the Pre-IPO Scheme. The rights of the holders of the share options granted prior thereto are not affected and such options granted continue to remain valid and exercisable in accordance with the terms of the scheme.

The following table discloses movements in the Company’s share options under the Pre-IPO Scheme during the nine months ended 31 March 2009:

	Date of grant	Exercise price per share HK\$	Balance at 1 July 2008	Movement during the period	Balance at 31 March 2009
Directors of the Company					
Prof. Chan Chok Ki	12 April 2001	0.60	1,800,000	–	1,800,000
Dr. Ma Chi Kit	12 April 2001	0.60	1,440,000	–	1,440,000
Mr. Ho Ka Ho	12 April 2001	0.60	1,364,000	–	1,364,000
			<u>4,604,000</u>	–	<u>4,604,000</u>
Employees of the Group	12 April 2001	0.60	1,172,000	–	1,172,000
			<u>5,776,000</u>	–	<u>5,776,000</u>

No options had been exercised since the date of grant. At 31 March 2009, the number of shares in respect of which options had been granted under the Pre-IPO Scheme represents 3.2% of the shares of the Company in issue at that date.

(ii) Share Option Scheme adopted on 28 October 2003 (the “2003 Option Scheme”)

Pursuant to a resolution passed on 28 October 2003, the 2003 Option Scheme was adopted to recognise and motivate the contribution of the employees and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees for a term of ten years. The board of directors of the Company may at its discretion grant options to any employees, including executive and non-executive directors, advisers, consultants, agents, contractors, customers and suppliers of the Group to subscribe for shares in the Company. Option may be granted at a consideration of HK\$1 and should be accepted within 5 business days from the date of grant. The option granted is exercisable upon acceptance and payment of consideration by the grantee and have a duration of 10 years from their respective vesting dates.

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

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

The following table discloses movements in the Company's share options under the 2003 Option Scheme during the nine months ended 31 March 2009:

	Date of grant	Exercise price per share HK\$	Balance at 1 July 2008	Movement during the period	Balance at 31 March 2009
Directors of the Company					
Prof. Chan Chok Ki	4 August 2004	0.145	900,000	–	900,000
Dr. Ma Chi Kit	4 August 2004	0.145	720,000	–	720,000
Mr. Ho Ka Ho	4 August 2004	0.145	680,000	–	680,000
			2,300,000	–	2,300,000
Employees of the Group	4 August 2004	0.145	80,000	–	80,000
			2,380,000	–	2,380,000
			2,380,000	–	2,380,000

The closing price of the Company's shares immediately before 4 August 2004 (date of grant of the above options) was HK\$0.145. At 31 March 2009, the number of shares in respect of which options had been granted under the 2003 Option Scheme represents 1.3% of the shares of the Company in issue at that date.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the section headed "Share Option Schemes" as described above, at no time during the nine months ended 31 March 2009 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company; or had exercised any such rights during the nine months ended 31 March 2009.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Shares and Share Options", the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2009.

COMPETING AND CONFLICT OF INTERESTS

The directors believe that none of the directors nor the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 31 March 2009, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

AUDIT COMMITTEE

The audit committee has four members comprising three independent non-executive directors, namely Mr. Yu Hon To, David, Prof. Siu Wan Chi and Prof. Ching Pak Chung and one non-executive director, namely Dr. Chan Cheung Fat.

The primary duties of the audit committee are to review the Company's annual report and financial statements, quarterly reports and half-yearly report and to provide advice and comment thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

The audit committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 31 March 2009 and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The remuneration committee has three members comprising two independent non-executive directors, namely Prof. Siu Wan Chi and Prof. Ching Pak Chung and one non-executive director, namely Dr. Chan Cheung Fat.

The primary duties of the remuneration committee are to formulate and make recommendations to the Board on the Company's policy and structure for all the remuneration of the directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration.

By order of the Board
PROF. CHAN CHOK KI

Chairman and Chief Executive Officer

Hong Kong, 8 May 2009

As at the date hereof, the executive Directors are Prof. Chan Chok Ki (Chairman of the Company), Dr. Ma Chi Kit and Mr. Ho Ka Ho; the non-executive Director is Dr. Chan Cheung Fat; and the independent non-executive Directors are Mr. Yu Hon To, David, Prof. Siu Wan Chi and Prof. Ching Pak Chung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.teleeye.com.hk.