



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 FIRST QUARTERLY RESULT ANNOUNCEMENT**

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- The Group recorded a turnover of approximately HK\$16,590,000 for the three months ended 30 September 2008, representing an increase of approximately 19% when compared with the same period in 2007.
- The Group recorded a profit attributable to the equity holders of the Company of approximately HK\$901,000 for the three months ended 30 September 2008, representing a decrease of approximately 22% when compared with the same period in 2007.
- The Board of Directors does not recommend the payment of an interim dividend for the three months ended 30 September 2008.

## 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 ended 30 September 2008, together with the comparative unaudited figures for the corresponding period in 2007, as follows:

		<b>THREE MONTHS ENDED 30 SEPTEMBER</b>	
	<i>NOTES</i>	<b>2008</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2007 <i>HK\$'000</i> (Unaudited)
Revenue	3	<b>16,590</b>	13,996
Cost of sales		<b>(8,433)</b>	(7,114)
Gross profit		<b>8,157</b>	6,882
Other income		<b>96</b>	129
Selling and distribution costs		<b>(2,934)</b>	(2,745)
Administrative expenses		<b>(2,968)</b>	(1,975)
Research and development expenditure		<b>(1,325)</b>	(1,162)
Profit before taxation	4	<b>1,026</b>	1,129
Taxation	5	<b>(130)</b>	(12)
Profit for the period		<b>896</b>	1,117
Attributable to:			
Equity holders of the Company		<b>901</b>	1,148
Minority interests		<b>(5)</b>	(31)
		<b>896</b>	1,117
Earnings per share	6		
– basic		<b>0.50 cent</b>	0.64 cent
– diluted		<b>0.50 cent</b>	0.63 cent

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. GENERAL

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 unaudited consolidated results are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION

The unaudited consolidated results 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 unaudited consolidated results 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 unaudited consolidated results are consistent with those adopted by the Group in its annual accounts for the year ended 30 June 2008.

### 3. REVENUE

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

### 4. PROFIT BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging/(crediting):		
Amortisation of capitalised development costs	234	356
Depreciation of property, plant and equipment	217	119
Dividends from available-for-sale investments	–	(11)
Interest income	(80)	(115)
Allowance for bad and doubtful debts	331	4
Write-down of inventories (included in cost of sales)	8	103
Provision for slow-moving goods (included in cost of sales)	198	111
	<u>          </u>	<u>          </u>

## 5. TAXATION

Taxation charge in the condensed consolidated income statement represented:

	Three months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Provision for Hong Kong profits tax for the period	130	–
Provision for profits tax in other jurisdictions	–	12
	<u>130</u>	<u>12</u>

Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the three months ended 30 September 2008. No tax was payable on profit for the three months ended 30 September 2007 arising in or derived from Hong Kong since profit was wholly absorbed by tax losses brought forward.

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

## 6. EARNINGS PER SHARE

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

	2008	2007
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to equity holders of the Company	<u>901</u>	<u>1,148</u>
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	180,300	180,293
Effect of dilutive potential ordinary shares in respect of:		
– Share options	<u>697</u>	<u>1,364</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>180,997</u>	<u>181,657</u>

## 7. 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	-	(18)	-	-	-	(18)
Gain on fair value changes of available-for-sales investments	-	-	529	-	-	529
Net (expense)/income recognised directly in equity	-	(18)	529	-	-	511
Profit for the period	-	-	-	-	1,148	1,148
Total recognised income/ (expense) for the period	-	(18)	529	-	1,148	1,659
Issue of ordinary shares upon exercise of share options	8	-	-	-	-	8
At 30 September 2007 (unaudited)	21,646	(299)	1,512	14,990	(6,501)	31,348
At 1 July 2008 (audited)	21,646	(273)	847	14,990	(3,652)	33,558
Exchange differences on translation of overseas operations	-	394	-	-	-	394
Loss on fair value changes of available-for-sales investments	-	-	(704)	-	-	(704)
Net income/(expense) recognised directly in equity	-	394	(704)	-	-	(310)
Profit for the period	-	-	-	-	901	901
Total recognised income/ (expense) for the period	-	394	(704)	-	901	591
At 30 September 2008 (unaudited)	21,646	121	143	14,990	(2,751)	34,149

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2008 (2007: Nil).

## **FINANCIAL AND BUSINESS REVIEW**

For the three months ended 30 September 2008, the Group recorded a turnover of approximately HK\$16,590,000, representing an increase of about 19% as compared with a turnover of approximately HK\$13,996,000 of the same period last year. Profit attributable to shareholders for the three months ended 30 September 2008 amounted to approximately HK\$901,000, as compared to HK\$1,148,000 of the same period last year.

During the three months ended 30 September 2008, the Group had capitalized operating costs of approximately HK\$244,000 (2007: HK\$232,000) in respect of development of advanced CCTV products. To cope with the Group's business expansion, overall operating costs, had increased by approximately 23% to HK\$7,227,000 as compared to HK\$5,882,000 for the same period last year.

During the period under review, the Group has released a new version of **Central Monitoring Station Software (CMS V3)** for its RX video recording servers and NX network cameras, which provides a robust alarm management platform used by central monitoring station managers to offer a reliable central monitoring services to clients.

## **BUSINESS OUTLOOK**

The Group remains financially strong to ride through the global financial crisis. We have no investment in derivatives, bonds or structured financial products, nor borrowing from bank. The drastic currency exchange fluctuations, however, hinder international business transactions and will affect sales and profit margin. The management is taking steps to limit exposure to business risks. As our core value, our spending in research and development remains strong so that we can be ahead of competition in the coming future.

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

At 30 September 2008, 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 ( <i>note 1</i> )	104,000,000	57.7%
Dr. Chan Cheung Fat	Held by controlled corporation ( <i>note 1</i> )	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 ( <i>note 2</i> )	2,700,000	2,700,000
Dr. Ma Chi Kit	Beneficial owner ( <i>note 2</i> )	2,160,000	2,160,000
Mr. Ho Ka Ho	Beneficial owner ( <i>note 2</i> )	2,044,000	2,044,000

#### Notes:

- (1) These shares, representing approximately 57.7% of the issued share capital of the Company as at 30 September 2008, 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 30 September 2008, 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 holder 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 three months ended 30 September 2008:

	Date of grant	Exercise price per share HK\$	Balance at 1 July 2008	Lapsed during the period (note)	Balance at 30 September 2008
<i>Directors of the Company</i>					
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
			4,604,000	–	4,604,000
<i>Employees of the Group</i>	12 April 2001	0.60	1,172,000	–	1,172,000
			5,776,000	–	5,776,000
			5,776,000	–	5,776,000

No options had been exercised since the date of grant. At 30 September 2008, 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.

*Note:* These options lapsed upon the resignation of the grantees.

**(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 the movements in the Company's share options under the 2003 Option Scheme during the three months ended 30 September 2008:

	Date of grant	Exercise price per share HK\$	Balance at 1 July 2008	Exercised during the period	Balance at 30 September 2008
<i>Directors of the Company</i>					
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
<i>Employees of the Group</i>	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 30 September 2008, 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 three months ended 30 September 2008 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 of 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 three months ended 30 September 2008.

## **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 30 September 2008.

## **COMPETING 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.

## **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 three months ended 30 September 2008, the Company had 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 standards 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 draft of this report and has provided advice and comments thereon.

By order of the Board  
**PROF. CHAN CHOK KI**  
*Chairman and Chief Executive Officer*

Hong Kong, 11 November 2008

*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.*