



千里眼控股有限公司  
**TeleEye Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8051)

## 2009/2010 FIRST QUARTERLY RESULTS ANNOUNCEMENT

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

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

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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\$14,434,000 for the three months ended 30 September 2009, representing a decrease of approximately 13% when compared with the same period in 2008.
- The Group recorded a profit attributable to the owners of the Company of approximately HK\$1,749,000 for the three months ended 30 September 2009, representing an increase of approximately 94% when compared with the same period in 2008.
- The Board of Directors does not recommend the payment of an interim dividend for the three months ended 30 September 2009.

## RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2009, together with the comparative unaudited figures for the corresponding period in 2008, as follows:

		<b>Three months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2009</b>	2008
		<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
			As restated
Revenue	3	<b>14,434</b>	16,590
Cost of sales		<b>(7,243)</b>	(8,433)
Gross profit		<b>7,191</b>	8,157
Other income		<b>160</b>	96
Selling and distribution costs		<b>(2,023)</b>	(2,934)
Administrative expenses		<b>(2,302)</b>	(2,968)
Research and development expenditure		<b>(936)</b>	(1,325)
Profit before taxation	4	<b>2,090</b>	1,026
Income tax expense	5	<b>(350)</b>	(130)
Profit for the period		<b>1,740</b>	896
Attributable to:			
Owners of the Company		<b>1,749</b>	901
Minority interests		<b>(9)</b>	(5)
		<b>1,740</b>	896
Earnings per share	6		
— Basic		<b>19.4 cent</b>	9.9 cent
— Diluted		<b>19.3 cent</b>	9.8 cent
Profit for the period		<b>1,740</b>	896
Other comprehensive income			
Exchange differences on translation of overseas operations		<b>185</b>	394
Fair value gain/(loss) on available-for-sale investments		<b>113</b>	(704)
Other comprehensive income/(expenses) for the period		<b>298</b>	(310)
Total comprehensive income for the period		<b>2,038</b>	586
Attributable to:			
Owners of the Company		<b>2,047</b>	591
Minority interests		<b>(9)</b>	(5)
		<b>2,038</b>	586

## **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 GEM of The Stock Exchange. 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 2009.

The Group has adopted a number of new and revised standards, amendments and interpretations which are effective for the Group’s accounting periods beginning on or after 1 July 2009. The adoption of these new and revised standards, amendments and interpretations does not have significant impact on the accounting policies of the Group.

### **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

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging/(crediting):		
Allowance for bad and doubtful debts	39	331
Amortisation of capitalised development costs (included in research and development expenditure)	128	234
Depreciation of property, plant and equipment	152	217
Dividends from available-for-sale investments	(13)	—
Interest income	(1)	(80)
Loss on disposal of property, plant and equipment	5	—
Net foreign exchange loss	287	141
Write-down of inventories (included in cost of sales)	—	8
(Reversal of)/provision for slow-moving goods (included in cost of sales)	(243)	198
	<u>          </u>	<u>          </u>

#### 5. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated income statement represented:

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for Hong Kong profits tax for the period	<u>350</u>	<u>130</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the three months ended 30 September 2009.

## 6. EARNINGS PER SHARE

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

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2009</b>	<b>2008</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Earnings		
Profit for the period attributable to owners of the Company	<u><b>1,749</b></u>	<u><b>901</b></u>
	<b>'000</b>	<b>'000</b>
		As restated
Numbers of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>9,015</b>	9,015
Effect of dilutive potential ordinary shares in respect of:		
— Share options	<u><b>40</b></u>	<u><b>35</b></u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>9,055</b></u>	<u><b>9,050</b></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 2008 (audited)	21,646	(273)	847	14,990	(3,652)	33,558
Other comprehensive income						
Exchange differences on translation of overseas operations	—	394	—	—	—	394
Loss on fair value changes of available-for-sales investments	—	—	(704)	—	—	(704)
Total other comprehensive income	—	394	(704)	—	—	(310)
Profit for the period	—	—	—	—	901	901
Total comprehensive income	—	394	(704)	—	901	591
At 30 September 2008 (unaudited)	<u>21,646</u>	<u>121</u>	<u>143</u>	<u>14,990</u>	<u>(2,751)</u>	<u>34,149</u>
At 1 July 2009 (audited)	21,646	(610)	(662)	14,990	(1,778)	33,586
Other comprehensive income						
Exchange differences on translation of overseas operations	—	185	—	—	—	185
Gain on fair value changes of available-for-sales investments	—	—	113	—	—	113
Total other comprehensive income	—	185	113	—	—	298
Profit for the period	—	—	—	—	1,749	1,749
Total comprehensive income	—	185	113	—	1,749	2,047
At 30 September 2009 (unaudited)	<u>21,646</u>	<u>(425)</u>	<u>(549)</u>	<u>14,990</u>	<u>(29)</u>	<u>35,633</u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2009 (2008: Nil).

## **FINANCIAL REVIEW**

For the three months ended 30 September 2009, the Group recorded a turnover of approximately HK\$14,434,000, representing a decrease of about 13% as compared with a turnover of approximately HK\$16,590,000 of the same period last year.

As a result of the Group's tight control on trade receivables and overall operating expenses, profit attributable to the owners of the Company for the three months ended 30 September 2009 was increased by 94% to approximately HK\$1,749,000, as compared to HK\$901,000 of the same period last year.

In view of the current economic situation, the Group continues to maintain a strong cash position and low level of gearing. The Group is well positioned to grow when the market recovers.

## **BUSINESS OUTLOOK**

Even though the impact of global economic crisis has stabilized, market demand remains weak in developed countries. Customers always look for lower price products instead of more powerful functions. In response we have introduced an entry level Digital Video Recorder, the RA series, in order to maintain our market share.

This year we focus our marketing effort more on emerging markets. We aim to build up new sales channels and have wider market coverage worldwide.

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

At 30 September 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\$0.2 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)	5,200,000	57.7%
Dr. Chan Cheung Fat	Held by controlled corporation (note 1)	5,200,000	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)	135,000	135,000
Dr. Ma Chi Kit	Beneficial owner (note 2)	108,000	108,000
Mr. Ho Ka Ho	Beneficial owner (note 2)	102,200	102,200

#### Notes:

- (1) These shares, representing approximately 57.7% of the issued share capital of the Company as at 30 September 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 30 September 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\$12 per ordinary share and the maximum number of shares in respect of which options might be granted under the scheme was 720,000. The number of shares in respect of which options might be granted to any individual was not permitted to exceed 180,000.

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 2009:

	Date of grant	Exercise price per share		Balance at 1 July 2009	Movement during the period	Balance at 30 September 2009 <sup>#</sup>
		Before Adjustment HK\$	After Adjustment <sup>#</sup> HK\$			
<i>Directors of the Company</i>						
Prof. Chan Chok Ki	12 April 2001	0.60	12	1,800,000	—	90,000
Dr. Ma Chi Kit	12 April 2001	0.60	12	1,440,000	—	72,000
Mr. Ho Ka Ho	12 April 2001	0.60	12	1,364,000	—	68,200
				4,604,000	—	230,200
<i>Employees of the Group</i>	12 April 2001	0.60	12	1,172,000	—	58,600
				5,776,000	—	288,800

No options had been exercised since the date of grant. At 30 September 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 the movements in the Company's share options under the 2003 Option Scheme during the three months ended 30 September 2009:

	Date of grant	Exercise price per share		Balance at 1 July 2009	Movement during the period	Balance at 30 September 2009 <sup>#</sup>
		Before Adjustment HK\$	After Adjustment <sup>#</sup> HK\$			
<i>Directors of the Company</i>						
Prof. Chan Chok Ki	4 August 2004	0.145	2.9	900,000	—	45,000
Dr. Ma Chi Kit	4 August 2004	0.145	2.9	720,000	—	36,000
Mr. Ho Ka Ho	4 August 2004	0.145	2.9	680,000	—	34,000
				2,300,000	—	115,000
<i>Employees of the Group</i>	4 August 2004	0.145	2.9	80,000	—	4,000
				2,380,000	—	119,000

The closing price of the Company's shares immediately before 4 August 2004 (date of grant of the above options) was HK\$2.9. At 30 September 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.

# The number and respective subscription prices of share options have been adjusted for the share consolidation took place on 6 November 2009.

## **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 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 three months ended 30 September 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 30 September 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 three months ended 30 September 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 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, 13 November 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" of the GEM website at [www.hkgem.com](http://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](http://www.teleeye.com.hk).*