EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED
(志鴻科技國際控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8048)

RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

This announcement, for which the directors (the "Directors") of Excel Technology International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. 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.

* *For identification purpose only*

HIGHLIGHTS

- During the year ended 31 December 2007, the Group's profit attributable to equity holders jumped 179% to HK$4,068,000, as compared with a profit of HK$1,457,000 in the same period of 2006.

- The Group recorded a turnover of HK$183,987,000, representing a decrease of 35% compared with HK$282,823,000 for 2006.

- The sales of enterprise software products increased by 17% to HK$92,770,000 (2006: HK$79,102,000) with an improvement of profit margin.

- Revenue from systems integration income dropped by 64% to HK$62,423,000 (2006: HK$175,766,000).

- Revenue on professional services slightly increased by 4% to HK$24,111,000, compared with HK$23,163,000 in 2006.

- The Group's ASP business remained stable with revenue of HK$4,683,000 (2006: HK$4,792,000).

- Earnings per share is 0.41 HK cents for the year ended 31 December 2007.

RESULTS

The Directors of the Company present herewith the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007, together with the comparative figures for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Turnover	*3*	**183,987**	282,823
Other net operating income	*4*	**3,091**	3,213
Change in inventories of hardware and software		**(366)**	924
Purchase of hardware and software		**(58,984)**	(167,260)
Professional fee		**(6,844)**	(10,798)
Staff costs		**(93,615)**	(82,507)
Depreciation and amortisation		**(4,634)**	(5,093)
Other expenses		**(18,262)**	(17,480)
Operating profit		**4,373**	3,822
Finance costs	*6*	**(57)**	(185)
Share of results of associates		**(17)**	(30)
Loss on disposal of an associate		**–**	(3,237)
Profit before income tax	*5*	**4,299**	370
Income tax expenses	*7*	**(921)**	(56)
Profit for the year		**3,378**	314
Attributable to:			
Equity holders of the Company		**4,068**	1,457
Minority interest		**(690)**	(1,143)
Profit for the year		**3,378**	314
Earnings per share for the profit attributable to the equity holders of the Company during the year – Basic (in HK cents)	*8*	**0.41 cents**	0.15 cents

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**12,501**	11,602
Interests in associates		**5**	22
Goodwill		**1,691**	1,691
Development costs		**–**	1,684
Available-for-sale financial assets		**6,292**	6,275
Loan receivable		**1,911**	1,911
		22,400	23,185
Current assets			
Inventories, at cost		**837**	1,203
Unbilled revenue		**17,802**	12,640
Trade receivables	*11*	**32,455**	25,467
Other receivables, deposits and prepayments		**12,845**	5,153
Financial assets at fair value through profit or loss		**6,990**	2,547
Pledged bank deposits		**–**	13,303
Bank balances and cash		**37,625**	47,261
		108,554	107,574
Current liabilities			
Borrowings		**928**	7,178
Trade payables	*12*	**7,127**	8,562
Other payables and accrued charges		**7,675**	7,034
Deferred income		**15,975**	16,694
Current tax liabilities		**858**	–
		32,563	39,468
Net current assets		**75,991**	68,106
Total assets less current liabilities		**98,391**	91,291
Non-current liabilities			
Borrowings		**338**	–
Net assets		**98,053**	91,291
Equity			
Share capital		**98,505**	98,505
Reserves		**(5,423)**	(12,365)
Equity attributable to equity holders of the Company		**93,082**	86,140
Minority interest		**4,971**	5,151
Total equity		**98,053**	91,291

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total	Minority interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	98,505	179,650	(1,515)	–	(192,907)	83,733	3,500	87,233
Changes in fair value of available-for-sale financial assets	–	–	605	–	–	605	–	605
Acquisition of a subsidiary	–	–	–	–	–	–	737	737
Capital contributed by a minority shareholder of a subsidiary	–	–	–	–	–	–	1,907	1,907
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	345	–	345	150	495
Net gain recognised directly in equity	–	–	605	345	–	950	2,794	3,744
Profit (Loss) for the year	–	–	–	–	1,457	1,457	(1,143)	314
At 31 December 2006	98,505	179,650	(910)	345	(191,450)	86,140	5,151	91,291
At 1 January 2007	98,505	179,650	(910)	345	(191,450)	86,140	5,151	91,291
Changes in fair value of available-for-sale financial assets	–	–	17	–	–	17	–	17
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	2,857	–	2,857	510	3,367
Net gain recognised directly in equity	–	–	17	2,857	–	2,874	510	3,384
Profit (Loss) for the year	–	–	–	–	4,068	4,068	(690)	3,378
At 31 December 2007	**98,505**	**179,650**	**(893)**	**3,202**	**(187,382)**	**93,082**	**4,971**	**98,053**

NOTES TO THE FINANCIAL STATEMENTS:

1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

The financial statements have been prepared on the historical cost basis, except for financial instruments classified as available-for-sale and at fair value through profit or loss, which are stated at fair value.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All inter-company transactions and balances within the Group have been eliminated on consolidation.

2 Adoption of new or amended HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2007 as follows:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Interpretation 8	Scope of HKFRS 2
HK(IFRIC) – Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Interpretation 10	Interim Financial Reporting and Impairment

HKAS 1 (Amendment) and HKFRS 7 are relevant to the Group's operation.

The Group has adopted for the first time HKFRS 7 "Financial Instruments: Disclosures" in its 2007 consolidated financial statements. The standard has been applied retrospectively, i.e. with amendments to the 2006 accounts and their presentation. The 2006 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 31 December 2006.

The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies but gave rise to additional disclosures.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following notes. An overview of standards and interpretations that will become mandatory for the Group in future periods is given in note 2.3.

2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with HKAS 1 (Amendment) – "Capital Disclosures", the Group now reports on its capital management objectives, policies and procedures in the Annual Report.

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends disclosure requirements previously set out in HKAS 32 "Financial Instruments: Disclosure and Presentation". All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature

- a sensitivity analysis, to explain the Group's market risk exposure in regards to its financial instruments, and

- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

2.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of such HKFRSs will not result in material financial impacts on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Interpretation 11	HKFRS 2: Group and Treasury Share Transactions [2]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements [3]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 March 2007*
[3] *Effective for annual periods beginning on or after 1 January 2008*
[4] *Effective for annual periods beginning on or after 1 July 2008*

3 Revenue and turnover

Revenue, which is also the Group's turnover, represented total income from provision of services. Revenue recognised during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Enterprise software products	**92,770**	79,102
Systems integration	**62,423**	175,766
Professional services	**24,111**	23,163
ASP services	**4,683**	4,792
	183,987	282,823

4 Other net operating income

	2007	2006
	HK$'000	*HK$'000*
Dividend income from listed securities	**43**	31
Interest income	**2,560**	1,459
Net gain on financial assets at fair value through profit or loss	**–**	1,022
Others	**488**	701
	3,091	3,213

5 Profit before income tax

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Directors' remuneration, excluding benefit-in-kind	**5,248**	4,348
Other staff costs	**83,002**	74,228
Contributions to defined contribution plans	**5,365**	3,931
	93,615	82,507
Depreciation of property, plant and equipment	**2,950**	3,410
Amortisation of development costs	**1,684**	1,683
Total depreciation and amortisation	**4,634**	5,093
Cost of inventories sold	**59,350**	166,336
Cost of services rendered	**79,986**	73,150
Auditors' remuneration	**901**	721
Net loss on financial assets at fair value through profit or loss	**794**	–
Loss on disposal of property, plant and equipment	**193**	–
Minimum lease payments in respect of land and buildings	**4,981**	4,761

6 Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest charges on:		
Other loans wholly repayable within five years	**–**	185
Finance charges on finance leases	**57**	–
	57	185

7 Income tax expenses

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's entities either incurred tax losses during both years or their estimated assessable profits for the years were wholly absorbed by unrelieved tax losses brought forward from previous years.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

	2007	2006
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Under provision in respect of prior years	**853**	–
– Overseas		
Tax for the year	**16**	56
Under provision in respect of prior years	**52**	–
Total income tax expenses	**921**	56

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax	**4,299**	370
Tax at the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**752**	65
Tax effect of non-taxable revenue	**(6,259)**	(3,860)
Tax effect of non-deductible expenses	**6,635**	4,701
Tax effect of unrecognised temporary differences	**278**	–
Tax effect of unrecognised tax losses	**1,578**	1,053
Utilisation of previously unrecognised tax losses	**(2,552)**	(2,474)
Underprovision of tax in prior years	**905**	–
Tax effect of share of results of associates and loss on disposal of an associate	**3**	572
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(436)**	(1)
Others	**17**	–
Income tax expenses	**921**	56

8 Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$4,068,000 (2006: HK$1,457,000) and the 985,050,000 (2006: 985,050,000) shares in issue during the year.

No diluted earnings per share have been presented because there were no dilutive potential ordinary shares in issue for the year.

9 Segment information

(a) *Geographical segments*

Geographical segments based on the location of assets are chosen as the primary segment reporting format because management considers that they are more relevant to the Group in making operating and financial decisions. The Group's business can be subdivided into Hong Kong, other regions in the People's Republic of China (the "PRC") and other markets.

(i) An analysis of the Group's turnover and results by geographical segments is as follows:

	Hong Kong		PRC		Others		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**121,628**	97,643	**82,919**	195,043	**10,858**	13,308	**(31,418)**	(23,171)	**183,987**	282,823
Segment results	**10,077**	2,454	**(3,602)**	697	**(2,102)**	671	**–**	–	**4,373**	3,822
Finance costs	**(57)**	(59)	**–**	(126)	**–**	–	**–**	–	**(57)**	(185)
Share of results of associates	**–**	–	**(17)**	(30)	**–**	–	**–**	–	**(17)**	(30)
Loss on disposal of an associate	**–**	–	**–**	(3,237)	**–**	–	**–**	–	**–**	(3,237)
Profit (Loss) before income tax	**10,020**	2,395	**(3,619)**	(2,696)	**(2,102)**	671	**–**	–	**4,299**	370
Income tax expenses	**(854)**	–	**(51)**	(56)	**(16)**	–	**–**	–	**(921)**	(56)
Profit (Loss) for the year	**9,166**	2,395	**(3,670)**	(2,752)	**(2,118)**	671	**–**	–	**3,378**	314

(ii) Other information:

	Hong Kong		PRC		Others		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Capital additions	**1,713**	443	**979**	558	**717**	58	**–**	–	**3,409**	1,059
Depreciation and amortisation	**2,950**	3,074	**1,443**	1,948	**241**	71	**–**	–	**4,634**	5,093
Revenue by location of customers	**109,840**	92,499	**88,673**	197,593	**16,892**	15,902	**(31,418)**	(23,171)	**183,987**	282,823

Inter-segment sales are charged at similar terms as external customers.

(iii) An analysis of the Group's balance sheet by geographical segments is as follows:

	Hong Kong		PRC		Others		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets										
Segment assets	**123,032**	99,392	**39,150**	23,443	**3,929**	3,885	**(90,271)**	(69,564)	**75,840**	57,156
Interests in associates	**–**	–	**5**	22	**–**	–	**–**	–	**5**	22
Unallocated corporate assets									**55,109**	73,581
Consolidated total assets									**130,954**	130,759
Liabilities										
Segment liabilities	**(18,331)**	(18,746)	**(84,868)**	(69,585)	**(17,849)**	(13,523)	**90,271**	69,564	**(30,777)**	(32,290)
Unallocated corporate liabilities										
– Borrowings									**(1,266)**	(7,178)
– Others									**(858)**	–
Consolidated total liabilities									**(32,901)**	(39,468)

(b) *Business segments*

The Group is organised into four operating divisions, namely enterprise software products, systems integration, professional services and ASP services.

Principal activities of the operating divisions are as follows:

Enterprise software products	–	Sale of enterprise software products and provision of maintenance services
Systems integration	–	Provision of systems integration services and resale of complementary hardware and software products
Professional services	–	Provision of consultancy services
ASP services	–	Provision of services in respect of ASP business

An analysis of the revenue from external customers, segment assets and capital additions by business segments is as follows:

	Enterprise software products		Systems integration		Professional services		ASP services		Unallocated		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**92,770**	79,102	**62,423**	175,766	**24,111**	23,163	**4,683**	4,792	**–**	–	**183,987**	282,823
Segment assets	**48,971**	34,207	**21,729**	14,665	**5,002**	8,027	**143**	279	**55,109**	73,581	**130,954**	130,759
Capital additions	**2,734**	897	**–**	–	**675**	154	**–**	8	**–**	–	**3,409**	1,059

10 Dividends

The Directors have resolved not to recommend the payment of a final dividend by the Company for the financial year ended 31 December 2007.

11 Trade receivables

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables from:		
Third parties	**27,640**	22,958
A related party	**4,815**	2,509
	32,455	25,467

Trade receivables from third parties are due within 30 days from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

Trade receivable from a related party is unsecured, interest-free and due within 30 days from the date of billing. The related party is a shareholder of a subsidiary of the Company.

The directors of the Group considered that the fair values of trade receivable amount are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The following is an ageing analysis of the trade receivables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**15,695**	14,657
1 to 3 months	**9,415**	5,779
Over 3 months	**7,345**	5,031
	32,455	25,467

12 Trade payables

The following is an ageing analysis of the trade payables at the balance sheet date:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**2,782**	2,380
1 to 2 months	**221**	4,792
2 to 3 months	**35**	792
Over 3 months	**4,089**	598
	7,127	8,562

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the year ended 31 December 2007, the Group's profit attributable to equity holders jumped 179% to HK$4,068,000, as compared with a profit of HK$1,457,000 in the same period of 2006.

The Group recorded a turnover of HK$183,987,000, representing a decrease of 35% compared with HK$282,823,000 for 2006. The decrease is largely attributed to the drop of the systems integration business in Mainland China, which comes up to a total of HK$62,423,000 (2006: HK$175,766,000).

The sales of enterprise software products increased by 17% to HK$92,770,000 (2006: HK$79,102,000) with an improvement of profit margin.

Revenue on professional services slightly increased by 4% to HK$24,111,000, compared with HK$23,163,000 in 2006.

The Group's ASP business remained stable with revenue of HK$4,683,000 (2006: HK$4,792,000).

Operation Review

As indicated in our Annual Report 2006, much of the Group's efforts have been placed into the sales and implementation of our enterprise software products. As a result, we recorded a year of solid growth of our business in this area.

Significant portion of our enterprise software business comes from recurring business, such as software upgrades and maintenance services generated from our existing client base. We expect the current client base will continue to generate income for us as most of our bank customers will continue to upgrade their IT infrastructure to support their growth.

On top of the recurring business, the Group managed to secure a few new clients in 2007, albeit very keen competition. This includes the winning of a Taiwanese-owned bank in Hong Kong adopting our loans management solution (ELS), and the successful selling of our mutual funds management system (ec-Invest) into an Arabian bank which offers Islamic Banking in Malaysia.

The software development outsourcing business has achieved a significant milestone by landing its first contract from a Japanese customer. This contract called for the implementation of an ERP (enterprise resource management) system, in 4 locations spanning across the mainland, Hong Kong and Taiwan, for a Japanese manufacturing company. Japanese speaking staffs were assigned to support this project, which is expected to complete in 2008 and serves as a good reference to other potential Japanese customers.

It has been two years since the Group built the outsourcing business, and an operation review made in early 2007 helped us to put the right focus on where the business potential is: foreign companies with strong base in Hong Kong or China. As a result, we closed down our Dalian operation, moved and consolidated its resources into our Hangzhou and Shenzhen development centers.

Southeast Asia continues to be a small but steady market for us. Leveraging the customers we have in Malaysia, we have set up a small development and support team in Kuala Lumpur. The result was quite encouraging, and that may provides the Management with alternative in support arrangement whenever we want to expand our customer base in Southeast Asia.

Future Prospects

The Group will continue to pursue the strategy of focusing on the enterprise software and development outsourcing.

The responsibilities of the Management will be re-aligned to allow the dedication of one executive director to look after the software and outsourcing business in China. Such move is a reflection of the Management's optimistic view about the future prospects of software business in the banking industry in China, especially Shanghai.

It was only until late 2006 that foreign banks were allowed to incorporate locally in China and hence be able to transact more freely in Renminbi. It signifies the beginning of a high growth period for foreign banks which have great plans for China. These foreign banks represent excellent business opportunities for us because they will need computer software that are in Chinese and have been localized according to local practices and regulations.

While we had certain success with multinational banks operating in China using our enterprise software, we feel that we have not even scratched the surface of the enormous opportunities generated by these foreign banks. Unlike local Chinese banks which always have their headquarters in Beijing, most of the foreign banks have set up their China headquarters in Shanghai, and therefore we planned to deploy more sales and marketing resources in our Shanghai office to capture these new opportunities.

Another organization restructuring is also planned for our Beijing office with more resources shifted to support the enterprise software business. With more attention from the Management, we expect the software business with the local banks will continue to have healthy increase in the coming years.

We will continue to grow our software development outsourcing business by expanding our Hangzhou and Shenzhen resources. However, we have to manage the cost of our human resources carefully and monitor the effect of the new labour law being put into effect in January 2008.

We believe the Group is well positioned on a platform with its existing business lines. The Management is also prepared to take on new challenges and new initiatives which can further leverage the collective strength and position of our Group.

Liquidity And Financial Resources

As at 31 December 2007, the Group was in a strong financial position with cash and cash equivalents of HK$37,625,000 (2006: HK$47,261,000).

As at 31 December 2007, the Group held the unlisted private equity fund for long-term strategic purpose and the investment was stated at fair value of USD686,044.

As at 31 December 2007, the Group invested the equity securities listed in Hong Kong of HK$6,990,000 at fair value. (2006: HK$2,547,000).

The Group monitors its capital structure using gearing ratio which is net debts divided by total equity. For this purpose the Group defines net debt as total debt (which includes borrowings, trade payables and other payables) less cash and cash equivalents and pledged deposits. Total equity comprises owners' equity and minority interest stated in the consolidated balance sheet. During 2007, the Group's strategy remains unchanged from 2006, which is to maintain the gearing ratio at a healthy capital level in order to support its business. As of 31 December 2007 and 31 December 2006, the cash and cash equivalents and pledged deposits exceeded the total debt, therefore the gearing ratio of the Group were zero.

Capital Structure

As at 31 December 2007, the Group's outstanding issued shares were 985,050,000, which was the same as last year.

Significant Investments And Disposal

During the year, the Group had not made any significant investments on acquisition and disposal.

Segmental Performances

Hong Kong region achieved the growth in turnover of HK$121,628,000 by 25% (2006: HK$97,643,000).

The China operations turnover was HK$82,919,000, dropped by 57% compared with HK$195,043,000 last year.

South East Asia region recorded a turnover of HK$10,858,000, decreased by 18% compared with 2006 (2006: HK$13,308,000).

Employees

The total number of employees as at 31 December 2007 was 425 (beginning of 2007: 420). Average headcount during 2007 remains similar to those in 2006.

Exposure To Foreign Exchange Risk

The foreign exchange risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Besides Hong Kong dollars, the Group's transactions are carried out mostly in Renminbi. The Group's foreign currency exposures arise mainly from the exchange rate movements of Renminbi.

CORPORATE GOVERNANCE

The Board and Senior Management are committed to the principles of Corporate Governance and have dedicated significant efforts to provide transparency, accountability and independence.

The Company has adopted the Code on Corporate Governance Practice and the Rules on Corporate Governance Report as set out in the GEM Listing Rules Appendix 15 and Appendix 16 with effective from the accounting periods from 1 January 2005, save as disclosed in the following exception:

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separated.

The Company has achieved a high compliance level with the exception of the separation of Ms. Zee Chan Mei Chu, Peggy serving the dual role of Chairman and Chief Executive Officer.

This exception was discussed and the dual role was approved by the Board based on the following reasons:

- The Company size is relatively small and thus not justified in separating the role of chairman and chief executive officer.

- The Company has internal controls in place to provide check and balance on the functions.

AUDIT COMMITTEE

The Company established an audit committee on 11 August 2000 with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The audit committee comprises three members – Mr. Cheong Ying Chew, Henry, Mr. Chang Ka Mun and Ms. Wong Mee Chun, all of whom are independent non-executive directors. Mr. Cheong Ying Chew, Henry is the Chairman of the audit committee. Audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee met on a quarterly basis during the year ended 31 December 2007.

The Company's financial statements for the year ended 31 December 2007 have been reviewed by the audit committee. The audit committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange, and disclosures have been fully made.

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited during the year ended 31 December 2007.

By Order of the Board
Zee Chan Mei Chu, Peggy
Chairman

The Board comprises of:
Zee Chan Mei Chu, Peggy *(Executive Director)*
Leung Lucy, Michele *(Executive Director)*
Fung Din Chung, Rickie *(Executive Director)*
Ng Wai King, Steve *(Executive Director)*
Ip Tak Chuen, Edmond *(Non-executive Director)*
Cheong Ying Chew, Henry *(Independent non-executive Director)*
Chang Ka Mun *(Independent non-executive Director)*
Wong Mee Chun *(Independent non-executive Director)*

Hong Kong, 25 March 2008

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